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# BUSINESS WEEK

WEEK  
AGO

YEAR  
AGO



For Canada's Premier Mackenzie King and for Secretary Hull the war grows hotter.

# 8½ YEAR REPAIR BILL FOR 119 LO-MAINTENANCE MOTORS \$000.00!

*Another true case history  
from the Allis-Chalmers  
files that proves "IT PAYS  
TO BUY THE EQUIPMENT  
THAT PAYS FOR ITSELF"*

**President H. A. Lockwood, Lockwood Mfg. Co. Tells the Sensational Performance Story of 119 Lo-Maintenance Motors... How They Ran Continuously for 8½ Years... With No Shutdowns... and Not One Cent for Repairs! Find Out How You Can Cut Your Costs... with the Equipment that Pays for Itself!**

Here's a story that speaks for itself! And it strikes right home to every executive who is interested in keeping his production steady... in cutting costs in his plant!

When H. A. Lockwood, president of the Lockwood Manufacturing Company of Cincinnati, bought 119 Allis-Chalmers Lo-Maintenance Motors in May, 1930, he knew from past experience that he was going to get good performance... but he never realized the amazing low-cost operating record those motors would set for him!

**"We haven't spent one cent for repairs!"**

"We feel," said Mr. Lockwood, whose company manufactures bakery pans and supplies, "that our motors are one of the most important parts of our production process. And you can

readily see that for us motor failures are costly... in wasted operators' time... in production losses... in maintenance costs.

"That's why we are so enthusiastic about Allis-Chalmers motors. They've done everything you said they would do, and we haven't spent one cent for repairs on any of the 119 motors since we installed them 8½ years ago!"

That's why Mr. Lockwood ordered 33 additional Lo-Maintenance Motors to take care of expansion needs. And that's why in every industry... in plants throughout the country... executives are switching to Allis-

Lo-Maintenance Motors keep production steady — without running up repair bills at the Lockwood Mfg. Co., Cincinnati, Ohio.

Chalmers! They know they get that extra margin of full measure construction that makes Allis-Chalmers equipment pay for itself in actual dollars and cents savings.

**Put Allis-Chalmers to Work for You!**

Find out how 90 years of advancing with industry can work for you... can cut your costs... make your workers' jobs easier. Call the nearest district office or write direct to Allis-Chalmers for the whole story on the equipment that pays for itself!

## PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



# ALLIS-CHALMERS

MILWAUKEE • WISCONSIN

# It's Easier Now to Pick the Biggest Value!

① See the 1940 Quality Chart ...at a glance you learn how "All Three" low-priced cars compare in size, safety, comfort, economy, and long-life engineering.

② Take the 1940 Plymouth's thrilling Luxury Ride to discover how this finer quality adds to your motoring enjoyment every mile you drive!



HERE'S THE "TWO-WAY" GUIDE TO YOUR BEST BUY...

**1. SEE THE QUALITY CHART**  
FOR FACTS...

**2. TAKE THE LUXURY RIDE**  
FOR PROOF

Of 22 Features Found in High-Priced Cars—

*Plymouth has 21...  
Car "2" has 11... Car "3" has 8*

CAR BUYERS by the thousands are making this important discovery...the 1940 Plymouth is *most like the high-priced cars!*

For Plymouth is the only one of "All 3" low-priced cars with a majority of the 22 important features found in high-priced cars.

See the 1940 Quality Chart...take the Luxury Ride. And Plymouth is *easy to buy.*

MAJOR BOWES, C. B. S., THURS., 9 TO 10 P. M., E. S. T.



BUSINESS MEN! SEE THE NEW LOW-PRICED PLYMOUTH COMMERCIAL CARS.

## PLYMOUTH BUILDS GREAT CARS



# BEHIND HIM—SPECIALISTS!



Many a baseball pitcher becomes great largely by virtue of greatness in his team-mates. . . . Each is a specialist in his position. Together they form a mighty support.

So it is with the Hartford inspectors who crawl into your boilers . . . "stethoscope" your engines, turbines and generators . . . search for disaster-threatening cracks, distortions and weaknesses. Behind them is a well-knit organization devoted solely to the task of insuring and safeguarding industrial power-plant equipment against disaster.

Each type of power equipment harbors its own peculiar charac-

teristics. Thus, with Hartford Steam Boiler, each receives the constant study of a group of engineering specialists engaged exclusively in power-plant accident prevention. *Specialization* — PLUS Hartford's experience of 73 years—has resulted in exceptional ability in diagnosing symptoms of impending trouble.

More than 400 Hartford Steam Boiler inspectors and their field supervisors bring this specialized service to you in your own locality. There is no other organization quite like it; no other company in which you can feel more secure. See if your agent or broker doesn't agree.

• *Hartford—specialist!—shop-inspects more than 90% of the nation's industrial power boilers; and covers a preponderant portion of America's insured power equipment.*



**THE HARTFORD STEAM BOILER INSPECTION  
AND INSURANCE COMPANY** HARTFORD, CONNECTICUT



## THIS BUSINESS WEEK



Wide World

*The war grows hotter for U. S. Secretary of State Cordell Hull because the British are opening our mail, and because of the disruptions in our trade caused by the blockade. And for Canada's Premier Mackenzie King, who stands with Secretary Hull on the week's cover of BUSINESS WEEK, the war grows hotter because of rising opposition in the Dominion to his policies. Canada's coming election on March 3 was precipitated by King himself, who certain groups in the Dominion began complaining that his war preparations—about which there is a comprehensive report on page 51—were moving too slowly. The March 26 election will be the showdown.*

### Besides

EVER SINCE tractors took to rubber tires the tire industry has been looking for the day when all farm implements would be rubber-shod. Last week the new Sears, Roebuck catalog had a surprise for the tire industry—hayloaders, mowers, and wagons which the farmer could equip—with used auto tires—page 3. . . . TNEC reopens its hearings on the steel industry, and this time it's the steel industry that's taking on TNEC—page 15. . . . The South holds a conference on interstate problems, lays plans for an economic reconstruction—page 24—while the worst freeze in 10-50 years plays hob with Southern business—page 17.

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A McGRAW-HILL

PUBLICATION





REAL ESTATE



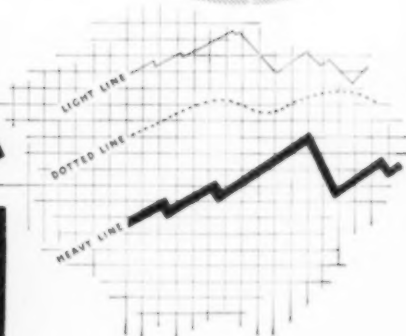
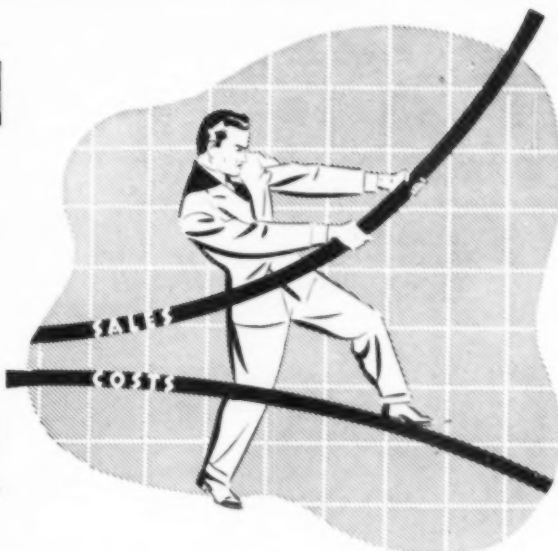
FARM IMPLEMENTS



HOUSEHOLD APPLIANCES



COSMETICS



## With all due respect to Business Week . . .

What do you think of the reproduction of this chart? Don't you find even the smallest lettering readable—the drawings and lines clean-cut and distinct?

"So what?" you say. "We expect to see good reproductions in today's magazines."

Exactly. But we want to send you another good reproduction of this chart—one that was turned out on an *office duplicating machine*! We believe you will be surprised when you compare the two.

Here's the reason we ask you to make this comparison. We want to show you how thousands of concerns are making a new, *quality* duplicating

method save them a substantial amount of money.

Let us put the case in your hands. Just send a corner of this ad with your business letterhead to the address below.

With the chart we will send other samples of duplicating used by various lines of business—forms and messages that you may not have considered possible to produce in an office. It's all very practical with the Multigraph Duplicator. (*And economical!*)

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

1201 Rabbitt Road, Cleveland, Ohio

ADDRESSOGRAPH-MULTIGRAPH OF CANADA, LTD., TORONTO

# Just what is Patapar Vegetable Parchment

Reg. U. S. Pat. Off. & For. Countries



To outward appearances it's fine paper. But hold on! Perhaps you require material that can be soaked and remain firm; that can come in contact with grease and resist it; that can be wrapped around delicate foods and be utterly safe and odorless. Strenuous requirements these. All fully met by Patapar Vegetable Parchment, at a cost so low that it can be used freely. That's Patapar.



Patapar is made in many sizes, weights and finishes — sheets and rolls.

Products like these, and many others are packaged and protected by Patapar:

Butter	Ice Cream
Meats	Milk
Fish	Poultry
Cheese	Asparagus
Ham	Celery
Bacon	Roses
Sausage	Soap
Tamales	Frozen Foods

Maybe your product needs Patapar protection. Want to try it? Just tell us the use you have in mind and we'll send samples and full information.

## Paterson Parchment Paper Company

Bristol, Pennsylvania  
West Coast Plant: 240 Bryant St., San Francisco  
Branch Offices: New York, Chicago  
Headquarters for  
Genuine Vegetable Parchment since 1885

## NEW BUSINESS

### Spreading Out

IN MAY, Stromberg-Carlson will join the growing list of radio manufacturers who make frequency-modulation sets. Between 2,000 and 5,000 receivers have been sold so far and six or seven stations are operating on regular schedules. ... A new type of insurance policy covering patent holders against loss through litigation or infringement, has been announced by the National Patent Corp., Chicago. Underwriter will be the Seaboard Surety Co. of New York.

### Our Times

AMERICAN IMPORT of Scotch whisky reached a new high in 1939 when more than 7,000,000 gal., valued at \$33,000,000 was shipped in. Distilling in Scotland is being curtailed to conserve grain, but the British are determined to maintain the U. S. trade—even if they have to cut their own consumption. The extra dollar exchange can be used to buy more American bombing planes. Incidentally, the British have lost only 40,000 cases so

far in transit. That much was aboard the Athenia, sunk at the beginning of the war.

A new magazine named *Beas* began publication this week and will make a bid for a place in the sophisticated field represented by *The New Yorker*, *Vogue*, *Town and Country*. Editorial offices are in Washington, D. C., where the *Mayflower Log* and *The Senator*, among others, tried their luck but failed.

### Cotton Paper and Sandbags

BECAUSE THE USE OF SYNTHETICS in making garments has cut the fine paper manufacturers' rag sources, the Writing Paper Manufacturers Association will divide—with the Department of Agriculture—the cost of experiments in producing high quality paper direct from low-grade cotton. And the War Department, after watching the price of jute burlap rise, has permitted the use of cotton osnaburg (a stout, coarse cotton fabric used in overalls and sacking) in the manufacture of sand bags. "The new specification," says the Cotton-Textile Insti-

### Open House in Hartford

Last December Pratt & Whitney, Hartford, Conn., machine tool manufacturers, moved their 2,650 employees into a new plant specifically designed for their needs. Formally opened by President Clayton R. Burt and Vice-President Hubert D. Tanner (right), the new plant last week held an open house (below); opening day the plant went on the air with a half-hour broadcast on a Hartford station.



tute, "opens the door to the potential use of millions of yards of cotton goods."

### What's New?

THE GOVERNMENT Forest Service Laboratory in Portland is prepared to equip radios in lookout towers and fire stations with emergency signal apparatus: a standby set which remains on the air 24-hours a day, has a relay hooked to a gong and sensitive to a special tone. When headquarters broadcasts the tone, the fire warden is roused . . . Du Pont's "Lucite" has been adapted for watch crystals and is promoted as an air-tight cover because of the novel fitting method: the rim of the watch case is heated and pressed through an oversize piece of plastic.

### Save Historic Plant

COOPERATION BETWEEN Rhode Island's Rehabilitation Commission and Consolidated Products Co. of New York prevented the dissolution last month of the 130-year-old Franklin Machine Co. of Providence. The company manufactured the original Corliss steam engine, which used G. H. Corliss' valve gear, invented in 1849. Albert Kahn, president of Consolidated, tentatively purchased the plant, agreeing to delay liquidation until a search for new capital could be made. The search was successful.

### Telephone Blockade

SEVERAL STRIKE-BOUND Wichita laundries, disgusted with phone service while union strikers continue to monopolize the telephones by placing nuisance calls (BW—Jan 27 '40, p. 4), have ordered the local Bell company to remove their extensions. Laundry customers have been asked to telegraph collect. Court finally granted an injunction against this unique kind of picketing, but it has been impossible to catch the violators since telephone officials have refused to trace calls. Meanwhile, cash and carry laundry branches are doing a big business.

### Okayed

ST. LOUIS' ANTI-SKID PAVING has proved its durability and safety, the American Public Works Association reports. Anti-skid streets have required "very little maintenance" since their re-surfacing, six years ago, with a hot mix made of dolomite (95%), asphalt and filler (5%). At 50 m.p.h. cars can stop within 57 ft. on wet, anti-skid pavement, as compared with 134 ft. on wet asphalt.

### Roll Film X-Ray

HIGH-SPEED X-RAY APPARATUS that uses 100-ft. rolls of sensitized paper and can take four or five pictures a minute has been demonstrated in Washington to army and navy experts. While the machine was designed for mass medical examinations, its possible industrial use, in assembly line inspection, is being investigated.

**STREAMLINERS  
ROLL ON  
SKF** FOR SPEED  
AND DEPENDABILITY



Men stand amazed along the right of way as the gleaming trains flash by... and nudge a neighbor with the remark: "There's power for you!"

Yet, the real triumph of the streamlined train is a victory over RESISTANCE. The resistance of the four winds controlled by their design. The resistance of friction in car journals and auxiliary equipment that in train after train is under the complete control of SKF... pioneering bearings on a pioneering job.

Long ago the railroads brought their friction problems to SKF just as you are invited to bring your problems now. SKF Industries, Inc., Phila., Pa.

**SKF**

BALL AND  
ROLLER BEARINGS



# "So what?"



"SO WHAT", INDEED? Why, Bill, that sign means less people killed, less property destroyed, less grief and suffering. Listen:

"Take the firebug who had this state in an uproar a few months ago. He won't set any more fires for 20 years. An Arson Department, behind that sign, co-operated with the local police 'til they got him.

"The factory where your friend Joe works is less likely to burn him up or throw him out of work . . . because of building construction standards and fire-prevention measures urged by the folks behind that sign.

"Ditto for the school where your kids go every

day, and for the hospital where your little boy went last year for his mastoid operation.

"Right here in our town we have a better fire alarm system, better fire apparatus, a better water supply . . . and more fire-resistant construction in our buildings . . . because of surveys and recommendations made by the folks behind that sign.

"Those electric devices that made your toast and your coffee this morning, properly used, will not start a fire . . . if they have been tested for safety by Underwriters' Laboratories, a member of the family behind that sign.

"That, Bill, is my answer to your 'So what?'. I'm mighty proud to represent one of the 200

capital stock\* fire insurance companies that do all those things for you without your realizing it. And get this, Bill . . . you as a policyholder of a capital stock fire insurance company, are behind this important public service."

## \*CAPITAL STOCK COMPANY FIRE INSURANCE

provides sound protection at a predetermined price, without risk of further cost. In addition to legal reserves, its policies are backed by cash capital and surplus funds set aside to meet not merely normal claims but also the sweeping losses due to conflagrations and other catastrophes. Its organized public services are national in scope. Its system of operating through Agents everywhere gives prompt personal service to policyholders.

# WASHINGTON BULLETIN

**WASHINGTON (Business Week Bureau)**—Congress is stalling—putting off decisions on everything possible, not because of human nature's normal tendency to procrastinate, but because of political complications. The Congressmen are all worried about public opinion back home—whether it will sustain a vote for Finnish relief or for an embargo on Japan or for increased national defense spending.

The situation on strictly domestic issues is almost as bad, for there is widespread doubt about whether constituents' desires for budget-balancing will justify votes to cut relief or farm aid appropriations.

## That Third Term Enigma

THIRD-TERM indecision also cuts athwart every debate and every roll call. Some Democratic leaders, like conservative Senator George, say the President will wreck his party if he doesn't speak out. At the same time, John L. Lewis plays hand-in-glove with the conservatives—politically speaking—for the first time in many years by trying to frighten F.D.R. out of running unless he will run on C.I.O. terms.

Left wingers turn to Wheeler—apparently Lewis' choice—not because they like Wheeler or not because Lewis has influenced them but just because they don't know where else to go.

## Jackson Takes the Stage

THE SHIFT IN THE CABINET in an election year turns a hot spotlight on Bob Jackson, the new Attorney General, and he is not flinching.

The utilities knew where he stood when he told them in 1931 that there were too many holding companies, too many power securities which represented little power and no security. Big business knew where he stood when in 1937 he unleashed a slashing attack on concentration of economic power and monopolies. The new Attorney General is the same Bob Jackson.

Put in a politically ticklish spot by Thurman Arnold's attempt to turn the antitrust law against unions which throttle trade, Attorney General Jackson, like Murphy, is backing Arnold's play. Like Murphy, too, he will seek headlines in attacks on corrupt political organizations.

## War Buying Control?

SECRETARY MORGENTHAU'S committee to allocate aircraft deliveries between the Army and the Navy and the Allies is regarded by the military as an attempt by the Treasury to control war buying. It is supported by the Administration's

claim that the committee can spread war-boom employment, open up skilled-worker and engine bottlenecks, and reduce costs. Industry is worried about how far the committee may go in dictating priorities on war and national defense orders generally. Some also suspect the Administration is taking a step toward control of plants preparatory to repeal of the Johnson Act and sale of 6,000 to 10,000 planes to Britain on credit.

## War Payments to Be Probed

OBSCURITY enfolded the mechanics of British-French payments for war orders promises to be removed and a full exposition made of Allied methods of exchange control when the Senate Banking Committee starts its monetary inquiry. Hints that the inquiry would be side-

## What Won't Be Done

DON'T LOOK for the Temporary National Economic Committee to recommend any tampering with the basing point system as a result of its steel industry study (p. 15). Irked because the Justice Department won't go along with its plan to link the system with price-fixing and collusion, the Federal Trade Commission, crusading for an f.o.b. mill-pricing substitute, also is jolted by the Interstate Commerce Commission's view that further efforts to modify or uproot the basing point system may mean additional decline for Pittsburgh and Youngstown steel mills and markets.

tracked as "untimely" have proved untrue.

A bi-partisan majority of the committee has determined to delve into the part played by the New York Federal Reserve Bank in clearing payments for Allied orders, and the present and prospective effect on the U. S. of exchange control operations abroad. Indications are the inquiry will start in March.

## Again—the German "If"

POSSIBLE USE of the British and French navies, combined with the Nazi fleet, in the hands of a victorious Germany, against the United States must be coldly studied, Navy Secretary Edison warns.

The Navy is alarmed by the boom of economy guns on Capitol Hill, but the Edison statement is calculated also to have considerable effect on Finnish relief and the growing, though still small, minority view that was so effective in

1917—that unless the Allies win the U. S. would have to fight Germany alone.

## Economy and the WPA

WPA REPORTS that of 700,000 workers laid off last September, because they had been on the rolls 18 months, only 13% had private jobs three months later. The report is a forecast of what will happen to 700,000 more who, unless Congress intervenes, must be laid off by July 1 because Congress followed F.D.R. in appropriating only \$1,477,000,000 for WPA this fiscal year.

A nearly equal number will have to go if Congress appropriates for next year only the \$1,000,000,000 that the President's budget allows. Congress is beginning to weaken on this economy move.

## Spenders Undaunted

TEMPORARILY in eclipse because of the Administration's gestures toward budget balancing, New Deal spenders are far from discouraged so far as the long pull is concerned. They believe the government will be forced back to a spending policy—and not just for national defense.

Armament expenditures, they insist, are not as important in pump-priming as pensions, farm benefit checks, public works or WPA. The "velocity" of money spent for armaments is at a lower rate and anyhow, their argument goes, money not spent for a productive purpose is "wasted."

Senator Wagner has picked up the spenders' ball, will explore their scheme for funneling idle private savings, which tend to offset government spending, into investment in various forms of public works as well as private enterprise.

Nomination this week of Marriner S. Eccles for another term as chairman of the Federal Reserve Board assured continuation of the spending drive.

## Banquo's Ghost

AMENDMENT of the Wage-Hour Law is not as dead an issue as the Administration would like. It is the Banquo's Ghost of Capitol Hill these days. Strategy of advocates of revision is to attach amendments to one of the "must" appropriation bills, hoping thus to force Roosevelt to sign on the dotted line. The changes sought are substantially those embodied last year in the Barden and companion amendments, extending exemption to processors of farm products and relaxing the hour provisions as applied to salaried workers.

## Television Ruling Deferred

THE FEDERAL COMMUNICATIONS COMMISSION will make no definite allocations for the two new branches of radio—fre-

# LESS STEAM NEEDED TO ASSURE COMFORT IN ST. JAMES HOTEL

**Webster Moderator System Saves  
2,614,982 lbs. of Steam in  
One Year, Tests Indicate**

## STEAM DEMAND RATE IS LOW

**Proper Temperatures Maintained  
in Bedrooms, Suites, Ballroom  
and Air-Conditioned Grill**

## CHANGE TO PURCHASED STEAM

Philadelphia, Pa.—Steam consumption was reduced and heating service improved in the St. James Hotel following a Webster Heating Modernization Program and change to purchased steam.

As a result of a test made in 1937 to determine how much steam was being used by the St. James Hotel for all purposes—heating, cooking, hot water and laundry—the Philadelphia Electric Co. estimated that changing to street steam with proper heating system control would result in a saving of approximately 2,000,000 pounds of steam annually.

The change was made and a Webster Moderator System was installed for heating economy.

Between June, 1938 and June, 1939, the St. James Hotel, using the Webster Moderator System, required 2,614,982 lbs. of steam less than former requirements.

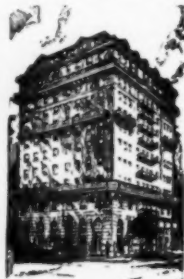
An additional saving resulted when the estimated steam demand rate of 4,000 lbs. per hour was reduced to 3,696 lbs. per hour with the Webster Demand Controller operating in conjunction with the Webster Moderator System.

The Webster Outdoor Thermostat, which adjusts the basic rate of steam delivery with every change in outdoor temperature, gives the St. James Hotel heating "controlled-by-the-weather."

Desired temperatures are automatically maintained in living room suites, in bedrooms, in the main ballroom and in the smart, air-conditioned grill.

Charles E. Todd is Manager of the St. James. Wm. Nesmith is Chief Engineer.

Joseph Scholl, of Philadelphia, acted as modernization heating contractor. There are 13,200 sq. ft. of installed direct radiation.



St. James Hotel  
Philadelphia

## LOW HEATING COST

GET THIS BOOK... Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J.  
Pioneers of the Vacuum System of Steam Heating  
Representatives in 65 principal U. S. Cities—Est. 1885

quency modulation and television—until it has fully weighed the prospects of public acceptance. Television's case has been heard but will wait until the hearing on frequency modulation, starting Feb. 23, is completed.

FCC is showing signs, however, that it's willing to boost television and, although it will probably not allocate frequencies on a definite basis, it is slated to approve rules permitting limited commercialization of programs. This means that sponsors will pay part of the expenses, a definite step to putting television on a nationwide basis.

FCC's increasingly high regard for television was further bolstered this week by David Sarnoff's announcement that the Radio Corporation of America, of which he is president, had developed a radio relay system which would make it possible for a television station to reach far beyond the 50-mile radius which has heretofore been the limit of effective transmission.

## Reshuffle—Maybe

THE NEXT STEP in government reorganization may shunt the Food and Drug Administration from the Agriculture Department to the Public Health Service, the Immigration Service from Labor to the Justice Department, and the Children's Bureau from Labor to the Social Security Board.

The Federal Alcohol Administration may be split among the Alcohol Tax Unit of the Treasury Department, Food and Drug Administration, and the Federal Trade Commission. None of these plans is sure-fire and even less likely is a shift of the Forest Service from Agriculture to Interior. The Rural Electrification Administration is chafing under the supervision of the Department of Agriculture, in which it was placed last year. Part of the Weather Bureau may be put under the Civil Aeronautics Authority.

## Conflict of Bureaus

EXAMPLE of the lack of coordination between government bureaus is supplied by the sad case of oleomargarine. When the Food and Drug Administration set about establishing a standard of identity for this product under the new Food, Drug, and Cosmetic Act, it found that the Bureau of Internal Revenue had defined it broadly to include several products so as to boost the yield from the oleo tax. On the other hand, FDA's definition—to be of any value to the consumer—must restrict the name "oleomargarine" to a limited number of products.

FDA also is in conflict with the Bureau of Animal Industry, which inspects and regulates the manufacture of oleomargarine from five different animal fats. BAI is opposed to vitamin fortification of oleomargarine, while the Bureau of Home Economics would like to see the oleomar-

garine standard include a provision for added vitamins.

FDA also looks with favor on vitamin fortification of certain foods, or at least believes it cannot prevent this development in the food industry so long as the labels bear proper representations.

## Name Your Brand—and Pray

WITH THE DISTILLERS adopting a code of self-regulation, chief criticism within the industry now is aimed at bartenders who have a quaint penchant for filling all bottles from one keg. As much as 50% of all liquor served by the drink in some markets is said to come from illegally refilled bottles. Most of it is cheaper whisky but some is straight bootleg.

Although "non-refillable" bottles are available, distillers hesitate to use them—first, because a truly non-refillable bottle is yet to be invented and, second, because bartenders are tender souls who resent the implied insult—or the loss of extra profits. Something will have to be done about the situation sooner or later. If the distillers don't, federal authorities may.

## Revamped Mines Bureau

THE INTERIOR DEPARTMENT will announce next week that Charles E. Lawall, president of the University of West Virginia, is to head the Bureau of Mines but it won't announce why he was chosen. Lawall is a protégé of Senator Neely, W. Va., sponsor of John L. Lewis' compulsory coal-mine inspection bill, to which the Bureau was very lukewarm during the régime of John W. Finch (whose resignation was requested by Secretary Ickes).

Ickes is red-hot for the mine workers' bill—also for the Cole bill giving him czarism over oil production. To promote the latter, he will name Edward B. Swanson, now associate director of the Petroleum Conservation Division, as assistant Bureau director. Swanson helped write the Cole bill. Under Dr. Finch, the bureau didn't show much enthusiasm for this legislation, either.

Now, Ickes hopes, he'll have some Bureau of Mines officials who'll support his policies.

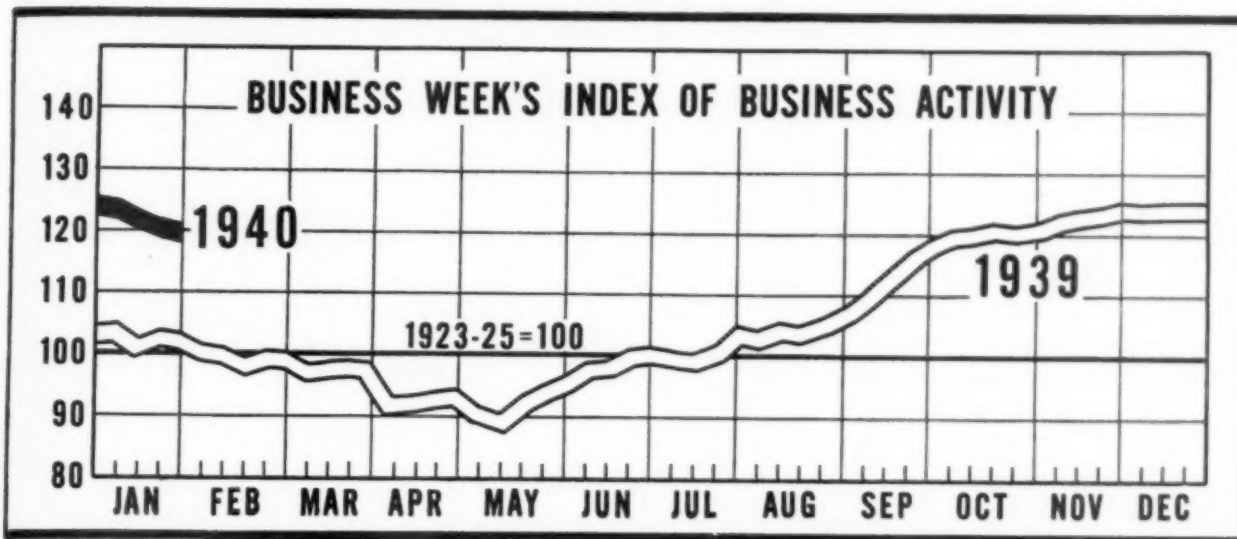
## No Pollution Grants

AS AN "ECONOMY" gesture, federal grants to cities, states, and industries to regulate stream pollution will be eliminated from pending legislation. Loans will be left in the bill—as "recoverable" expenditures.

Pollution legislation has passed the Senate, been reported out on the floor of the House, and, as now pending, is acceptable to industry. However, to avoid a parliamentary jam on the floor, a new House bill will be introduced providing loans but no grants. Expect an effort on the part of "strong-arm" federal control advocates to replace the co-operative type bill with drastic legislation.



# THE FIGURES OF THE WEEK



## THE INDEX.....

### PRODUCTION

Steel Ingot Operations (% of capacity).....	77.3	82.2	85.7	59.3	52.8
Automobile Production .....	100,400	108,545	89,365	40,595	89,200
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$8,394	\$8,347	\$8,457	\$7,975	\$11,822
Electric Power Output (million kilowatt-hours).....	2,866	2,572	2,404	2,342	2,293
Crude Oil (daily average, 1,000 bbls.).....	3,612	3,637	3,545	3,539	3,248
Bituminous Coal (daily average, 1,000 tons).....	1,653	1,668	1,510	1,191	1,370

### TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	66	68	72	68	61
All Other Carloadings (daily average, 1,000 cars).....	42	44	42	42	36
Check Payments (outside N. Y. City, millions).....	\$4,279	\$4,711	\$4,629	\$3,977	\$3,660
Money in Circulation (Wednesday series, millions).....	\$7,365	\$7,405	\$7,663	\$7,002	\$6,623
Department Store Sales (change from same week of preceding year).....	+4%	+4%	+13%	+8%	None

### PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	160.5	164.4	169.1	141.9	142.6
Iron and Steel Composite (Steel, ton).....	\$37.09	\$37.07	\$37.10	\$35.87	\$36.35
Scrap Steel Composite (Iron Age, ton).....	\$17.33	\$17.54	\$17.67	\$15.17	\$14.88
Copper (electrolytic, Connecticut Valley, lb.).....	11.656c	12.046c	12.500c	10.292c	11.250c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.98	\$0.99	\$1.01	\$0.82	\$0.72
Sugar (raw, delivered New York, lb.).....	2.85c	2.89c	2.81c	2.90c	2.80c
Cotton (middling 1/8", ten designated markets, lb.).....	10.33c	10.51c	10.82c	9.39c	8.50c
Wool Tops (New York, lb.).....	\$1.064	\$1.096	\$1.154	\$0.874	\$0.855
Rubber (ribbed smoked sheets, New York, lb.).....	18.76c	19.03c	19.07c	16.58c	15.53c

### FINANCE

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.60%	5.63%	5.76%	5.63%	5.78%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.31%	2.32%	2.30%	2.14%	2.45%
U. S. Treasury 3-to-5 year Note Yield.....	0.48%	0.49%	0.47%	0.43%	0.64%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-3/4%	1/2-3/4%	1/2-3/4%	1/2-3/4%	1/2-3/4%
Business Failures (Dun & Bradstreet, number).....	302	288	190	291	385

### BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	19,163	18,979	18,720	17,601	16,152
Total Loans and Investments, reporting member banks.....	23,183	23,212	23,260	22,135	21,428
Commercial and Agricultural Loans, reporting member banks.....	4,316	4,330	4,400	3,899	3,765
Securities Loans, reporting member banks.....	1,119	1,144	1,221	1,209	1,375
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,308	1,324	11,162	10,682	9,919
Other Securities Held, reporting member banks.....	3,339	3,309	3,340	3,259	3,228
Excess Reserves, all member banks (Wednesday series).....	5,590	5,500	5,050	4,485	3,597
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,514	2,515	2,566	2,512	2,583

### STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	117.2	117.4	121.9	116.9	116.8
20 Railroads, Price Index (Standard Statistics).....	30.6	30.5	32.1	29.0	29.1
20 Utilities, Price Index (Standard Statistics).....	70.0	69.8	70.0	72.2	66.0
90 Stocks, Price Index (Standard Statistics).....	96.3	96.4	99.7	96.2	95.0
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	566	1,578	994	726	1,032

\* Preliminary, week ended January 27th. † Revised. § Date for "Latest Week" on each series on request.



# Smiles from ear to ear

Come to think of it, the familiar old phrase was never so true until the telephone came along. Today, the smiles in people's voices *do* span the miles "from ear to ear."

Smiles of joy, of relief, of satisfaction. Not to mention the *smiles of surprise* at how little it costs to get such a big thrill.



# B U S I N E S S W E E K

February 3, 1940

## THE BUSINESS OUTLOOK

**Decline gains momentum with steel in the lead, but this is the orthodox pattern and is no immediate cause for alarm. Upturn in durable goods might cushion drop in textile operations expected in early spring.**

AS IS TO BE EXPECTED, the decline in business is gathering momentum. Steel continues to lead the way. Operations dropped this week nearly five points, from 82.2% to 77.3% of capacity. Cotton manufacturing activity (see chart) also has been going down. And commodity prices have been gradually surrendering the gains realized in the post-war buying rush.

This is the typical, orthodox pattern on decline. And as yet there is nothing out of the way or alarming. Just as all business tends to rise with surprising unanimity during periods of recovery, so on recessions industrial activity and prices tend to go downhill together. As one economist once described it: "Business statistics are just like people; sooner or later they all get aboard the bandwagon."

### Shoes, Woolens below '39

What's been happening in New England (see Regional Business Outlook, page 14) is a miniature of what has been taking place throughout the country. First there was a slackening off in orders of heavy industrial machinery, steel, and even in machine tools. And as a result, durable goods production reached a high late in November or early in December. Second, as pressure for immediate deliveries of shoes, woolens, and cotton goods dropped off in November and December, manufacture of these products relaxed, production in consequence ceased to make gains, and finally turned down. Indeed, shoe and woolen output is running below last year.

The recession in durable goods production for the next several weeks will probably continue to be more precipitate than the drop in non-durable goods. Except for a few industries like electrical equipment, railroad equipment, and machine tools, the heavy industries cannot coast along on their backlogs. But in the consumer goods industries—especially textiles—the buying following the war and the jumps in cotton prices put orders on the books stretching into February and March, and these orders have moderated the drop in output.

The critical period for textiles will come in the early spring. If new orders

don't develop then, there will be one of those sharp declines that characterize the industry. For right now inventories are being built up rather steadily. Manufacturers are moving their cloth all right, but it is piling up in the hands of converters, jobbers, and other intermediaries. So, as always, textile men will be closely observing the trend of consumer income and retail sales over the next few months—to see whether currently accumulating stocks go into final consumption.

Currently, consumer income is running at levels comparable with 1937 highs, and declines in employment and payrolls thus far have not been significant enough to suggest any sharp curtailment in purchasing power. Nor has the busi-

ness recession itself gained sufficient momentum to indicate it will begin "feeding on itself" and result in a curtailment of consumer purchases generally.

But the Federal Reserve Board index of department store sales for January may provide something of a shock. The cold snap, though it boosted sales of overcoatings, curtailed shopping throughout the Southland. So don't be alarmed if the index should drop from December's high of 96 to 92. Part of that drop—at least—would be properly attributable to the weather, and some of the "lost" sales will be made up.

### Pattern to Watch For

What is quite apt to happen, as the current decline unfolds, is that a recovery in the durable goods industries—notably steel—may coincide with the expected decline in textile operations. For instance, here is a logical business sequence for the next few months: (1) Automobile production picks up as is usual in the spring (assuming sales develop as hoped); (2)

### IN THE OUTLOOK—TEXTILE OPERATIONS



Data: New York Cotton Exchange.

© BUSINESS WEEK

Textiles are the outstanding exception to the economic maxim that "consumer goods are invariably stable." Unlike foods, consumption of textiles varies widely from year to year, and consequently production is unstable—given to swings almost as wide as the volatile steel industry. Reason for this "durable" goods'

performance is that textile demand is subject to style changes; also many articles of clothing—overcoats, suits, and some dresses—possess a durable goods characteristic: they last long. Right now, significant factor in the industry is that the upward phase of its cycle has been completed, and the downward phase has begun.



this arrests the decline in steel orders and ingot operations first stabilize and then begin to expand; (3) backlogs run off in the cotton textile industry and production naturally drops; (4) but expansion in steel output helps to cushion the jar when the decline in textiles reaches its "precipitate" stage.

If that occurs—if there is that coinci-

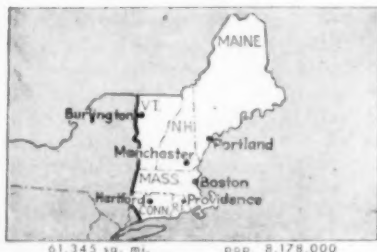
dence—then it can be written in the prospect books now that the over-all business drop will be fairly moderate; that this recession will certainly not be like the one that started in 1937, but rather will resemble the mild intermediate downtrend of early 1939.

But much depends upon (a) how much momentum the decline develops

over the next few weeks; (b) whether consumer purchases of textiles hold up; and (c) spring reception of the 1940 model cars.

Furthermore, hanging over business in general is the nervous action of commodity prices. This weakness, so long as it continues, is not conducive to a forward commitment.

## The Regional Business Outlook



**BOSTON**—There's no longer any question about the trend of business in this Reserve district. Manufactures of both durable and non-durable goods have begun to decline—and at an accelerating rate.

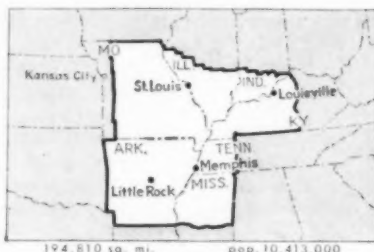
Moreover, there has been nothing like a real pickup in new orders, which indicates that the drooping tendency is likely to persist through the first quarter. Shoe manufacturers, for instance, have found resistance strong to higher prices (raised because of a jump in costs) and production has been rising less than seasonally. Woolen mills are running below last year's rates—but after 18 months of unusually high operations, readjustment was to be expected. And spindle activity in cotton mills has been curtailed, as backlogs, built up during the September and December buying waves, have declined.

Sharpest reaction in New England is in the Naugatuck Valley, heart of the heavy industries. Copper and brass fabricating rates are down to 80% of capacity, as compared with 95% to 100% a few months ago. Steel output is also off.

### Watching New Orders

For the immediate future, new orders hold the key to the extent of the decline. While shoe and woolen manufacturers watch closely the trend of retail sales throughout the country, the metal trades in the district will respond most sensitively to armament demands.

Incidentally New England merchants have been encouraged by a belated spurt in retail buying. But now, with payrolls on the decline, this is apt to prove only a temporary boon.

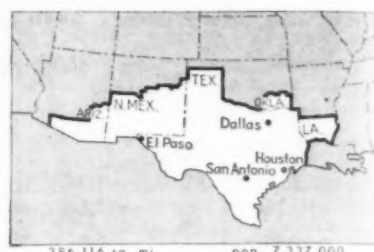


**ST. LOUIS**—Here the main business news is the recent cold snap. Benefits were three: (1) coal mines in southern Illinois, southern Indiana, and western Kentucky were pushed all of a sudden into full-time operation to keep up with domestic demand; (2) spring planters of truck vegetables now look forward to higher prices when their crops go to market—damage done to fields already planted in the southern states (see page 17) will narrow the supply; (3) the snow has supplied needed subsoil moisture and has killed off insects and other plant pests in the ground.

### Frost Debts

But, on the other side of the ledger, peach and other orchards have been nipped, and ice in the Mississippi halted barge traffic north of Natchez, Miss. And though sales of heavy underwear and overcoatings have picked up, shoppers have not moved out of the house unless they've had to. Accordingly, retail sales in general have fallen off considerably.

Yet wholesalers have been busy. Demand for clothing, shoes, hosiery, and shirts has been particularly brisk—unquestionably because of the early Easter—and, as a result, there has been no sharp manufacturing letdown so far. As anticipated (*BW—Jan 6 '40, p. 14*), steel operations have been sustained here better than in the country generally. From a high of 85%, they have only slipped to 83% of capacity. But the durable goods decline—now evident nationally—cannot be postponed indefinitely, especially after recent strong demand from manufacturers of heating apparatus and certain types of machinery subsidies.



**DALLAS**—Income prospects here have definitely deteriorated as an immediate and direct effect of the cold wave—particularly in the semi-tropical regions of South Texas and the lower Rio Grande Valley, where citrus and vegetable crops were just about halved. The resultant rise in prices is small consolation.

In northern Texas, wheat and oats also were hard hit, especially in dry areas where root systems had not grown strong enough to withstand a really tough freeze. Goat and cattle ranchers lost some livestock, as did sheep raisers; but the latter took their loss with a philosophical turn—it might have been worse: The freeze might have come in February around lambing time.

Over the next few months, prospective returns from major cash crops—to be marketed in the summer and fall—will be a dominant factor; the current 10¢ cotton price, therefore, is apt to be a more important influence on retail sales than the loss due to the freeze—since cotton is the basic crop down here.

### Industry Still Growing

As in the St. Louis Reserve District, there were some benefits from the cold spell. The snow will add to the subsoil moisture and the frost had undoubtedly killed off in-the-ground insects, including the boll weevil.

The impact of the national business decline is likely to be felt most through its effect on cotton and other farm prices. Industry still is in the expansion stage in this region. Typical of the growing industrialization is the much-discussed Southern Paper Mills plant at Lufkin, Tex. (p. 27).

*The Regional Outlook surveys each week three of the twelve business areas of the country.*

## Steel's Brain Trust Tackles TNEC

**Dr. Yntema, contradicting Brookings thesis, tells hearing that price reductions would not stimulate consumption, denies volume cuts production costs.**

"Do you solemnly swear that the testimony you will give in this hearing shall be the truth, the whole truth and nothing but the truth, so help you God?"

"I do." That was the formal response to a legalistic question made last week at the Temporary National Economic Committee by Dr. Theodore Ott Yntema, professor of statistics at the University of Chicago and economic consultant for the United States Steel Corp.

But no one at those hearings knew better than Dr. Yntema that he had undertaken an impossible assignment. There is no universal truth about the elasticity of demand for steel or about the relationship of the cost of producing steel to volume. Nor is there any absolute truth about another question—a question Benjamin F. Fairless, president of the steel corporation, was to discuss—the validity of the basing point system of selling steel.

This week, proof that there's no universally accepted truth in steel was plentiful. The record was dotted with exceptions to Dr. Yntema's theories, and the Federal Trade Commission, as doubtfully as four years ago (*BW*—Apr 11'36, p13), plumped once again for f.o.b. mill prices.

When Dr. Yntema finally left the stand—his charts, his tables, his hypotheses, and his statistical methods rebutted, sur-rebutted, re-attacked, and re-defended—the press had a name for these, the most scholarly, the most mathematical, of all TNEC hearings: "The Battle of the Ph.D.s."

### Economists vs. Economists

Ranged on one side was a group of Chicago U.'s finest statisticians, economists, research workers and mathematical wizards; and they were ably flanked and assisted by U. S. Steel's home talent. On the other side of the fence were Dr. Melvin G. de Chazeau, of the University of Virginia and collaborator in a monumental, two-volume study, "The Economics of the Iron & Steel Industry"; Dr. Louis H. Bean, economist of the Bureau of Agricultural Economics; Dr. Mordecai Ezekiel, economic adviser to the Secretary of Agriculture; and Martin Taitel, senior consulting economist of the Works Progress Administration, who was "proud" that he had received his statistical training from Dr. Yntema and hopeful that Dr. Yntema would be equally "proud of the product of his training."

Dr. Yntema put before the TNEC two main economic concepts:

(1) That the demand for steel is inelastic, that the amount of steel going into an end product is insufficient to be a dominant factor in final cost to the consumer, that, therefore, price reductions would not stimulate consumption.

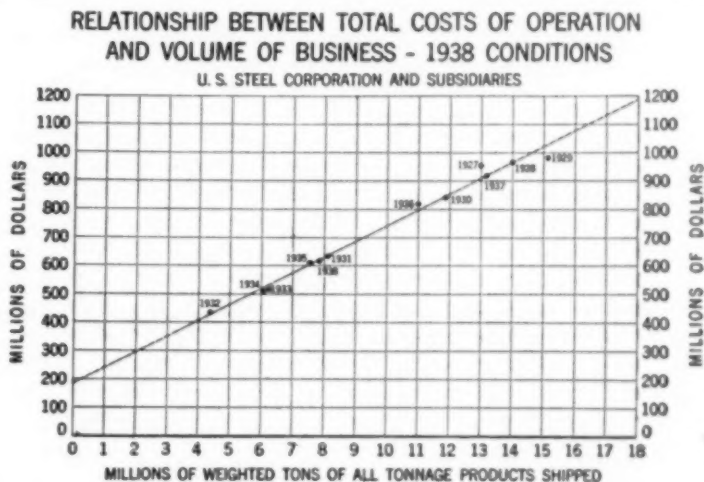
Example: The cost of steel is about 10% of the delivered price of a low-priced automobile; a 10% reduction in the price of steel, therefore, would only mean a 1% cut in the price of an automobile—say from \$7 to \$10—hardly enough to increase automobile sales.

(2) That the major or variable costs in producing steel do not diminish as volume increases; that, contrary to general thinking, expenses tend to rise in a one-to-one relationship with increases in tonnage. And to prove this, Dr. Yntema submitted a chart (below).

The significance of this chart (which mathematicians call a "scatter diagram") stretched far beyond the immediate purview of these steel price hearings. It was, in effect, direct repudiation of the

### U. S. Steel Presents Its Case to TNEC

*This is the chart that caused most of the trouble*



*This is an example of "phantom freight" under the basing point system*

### THE BASING POINT METHOD

Diagram 3: Explanation of first type of Freight Advantage and so-called "Phantom Freight"

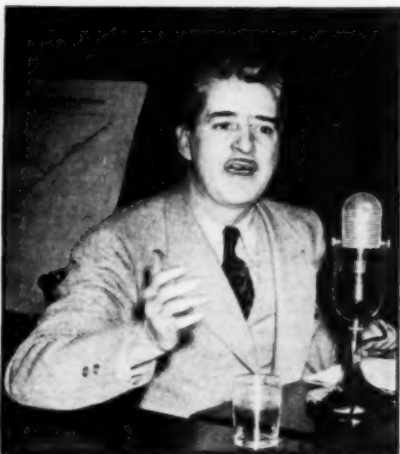
Mill at (A) has lowest Base Price plus Freight to (X).

Mill at (C) charges the same Delivered Price. Having a Freight Advantage of \$1 over (A), (C) realizes a Mill Net

\$1 higher than (A). This \$1 is so-called "Phantom Freight"



## Tough on Senators



Harrie & Ewing

Dr. Melvin G. de Chazeau

HERE IS WHAT YOU would have been up against if you had been Senator (Acting Chairman) King at the TNEC hearings on the steel industry. The witness was chart-minded, Dr. Melvin G. de Chazeau, of the University of Virginia. He was discussing the technical testimony of Dr. Theodore O. Yntema, of the University of Chicago.

Senator King: Is it your contention that when the books show a deficit of \$182,000,000 the owners didn't know what they were doing, didn't know anything about it, didn't know what it represented, and what caused it?

Dr. de Chazeau: Senator, my point has nothing to do with profits or losses. What I am interested in is whether the variable costs are in fact uniform, and second, how large they are with relation to total costs.

Senator King: When you speak of variable costs, do you mean, taking the industry now under consideration, the cost of iron ore?

Dr. de Chazeau: I mean the additional costs which are associated with additions to output, which are the variable costs Dr. Yntema discussed this morning.

Senator King: Well, the costs of operations vary from day to day and from month to month and from year to year in any industry, don't they?

Dr. de Chazeau: Quite right . . . It is all of those conditions which Dr. Yntema was analyzing, eliminating variations in price by adjusting to 1938 conditions.

Senator King: You are not attempting to show that those figures which were given as to costs, losses and so on, were inaccurate.

Dr. de Chazeau: In no sense.

Senator King: Yours is a sort of scientific technological discussion of things which the practical man doesn't know anything about.

Dr. de Chazeau: I hope that is not true, Senator.

economic thesis of the Brookings Institution: that big volume means low prices and low prices mean increased consumption. And so it was to be expected that this chart would bear the brunt of the attack from government economists who immediately pointed out that the straight-line relationship between costs and volume may have resulted from the many adjustments made by the corporation's statisticians. For instance: (1) the steel statisticians raised wage rates of early years to 1938 levels; (2) they stepped up efficiency to 1938 productivity; (3) they allocated weights on the basis of "normal proportions" of high and low cost products in order to obtain what would amount to an average cost per ton of steel.

## Unconvinced, But Complimentary

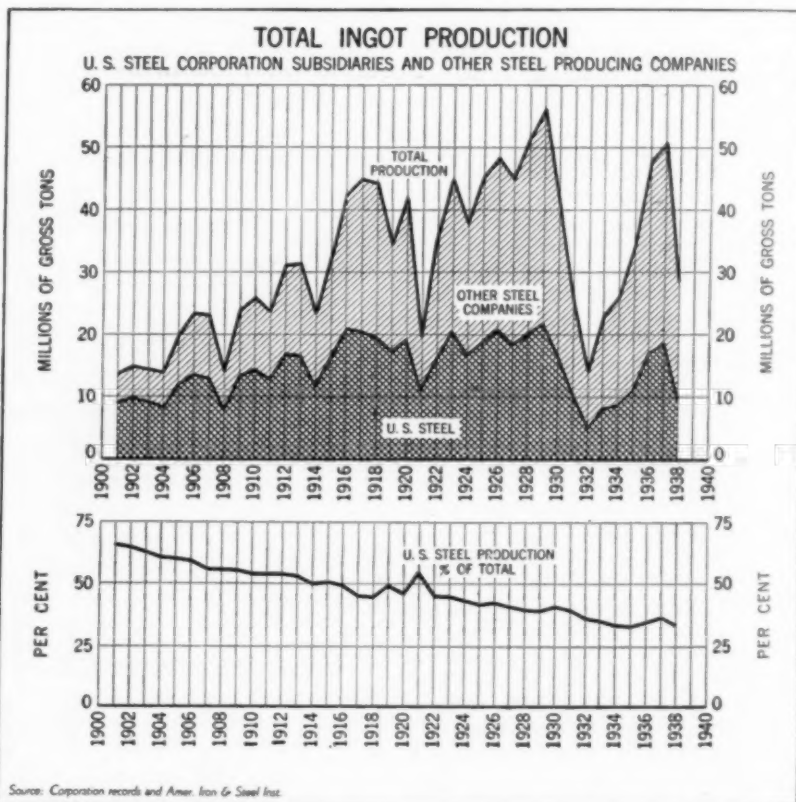
And all of those adjustments meant arbitrary decisions. Further, there was one factor for which the statisticians could not adjust: Managements act differently at different times. But the chart, by its very nature, assumed that management policy on cutting expenses or letting them expand was constant—though it is almost axiomatic that in good years managements are inclined to be liberal, in poor years economical. When the hearings ended, the government economists did not agree that steel demand is as inelastic as Dr. Yntema contends;

nor could they accept his reasoning on costs and volume. However, in the end compliments were exchanged on all sides.

On basing points the Federal Trade Commission was as positive as ever. It still preferred f.o.b. mill prices. And yet, one of the government witnesses, Dr. de Chazeau, wrote in 1937: "An f.o.b.-mill pricing system is antithetical to the interests of producers, discriminatory in its effects on consumers, and of dubious merit in the general economy . . . Any standard of fair price defined in terms of equality in the mill net violates the economics of production and distribution of tonnage steel."

During the hearings, incidentally, TNEC committee members exulted. U. S. Steel announced a sale of iron ore in the open market to Ford. This was a departure from the previous policy of selling ore only within the corporation. TNEC members promptly concluded that their investigation into Mesabi Range iron ore ownership and distribution last November was instrumental in bringing the corporation into the open ore market. But more probable, however, is this inference: that the steel corporation decided it would rather convert in-the-ground ore inventories into cash and simultaneously widen its markets.

\*"The Economics of the Iron & Steel Industry," page 1146, Vol. II, McGraw-Hill Book Company.



This is one of the charts submitted by the U. S. Steel Corp. at the TNEC hearings, showing its declining share of total steel production.





Their first planting washed away by flood waters in October, truck farmers in Southern Florida battled to save a second planting from the worst frost in years



last week. In Florida and Texas, farmers built fires of old tires—set 50 to 100 feet apart—to raise the temperature two to four degrees.

## Big Freeze Ravages the South

**Losses to growers of citrus, cane, and garden truck defy estimate, but cotton farmers bank on an old rule. Other business hit, including tourist industry.**

"A HARD WINTER always means a good crop," rejoiced the cotton planters this week even as truck farmers, citrus raisers, and cane growers of the deep South counted millions of dollars in losses from the worst freeze in 10 to 50 years. There were snows ranging from a trace to four and six inches where snow is rarely seen; there were freezing temperatures in famous resorts all the way from Florida's Miami to Mississippi's Biloxi and Texas' Point Isabel; there were soaring market prices on early fruit and truck crops to solace those farmers who could salvage something from the cold.

As is always the case with a prank of the weather, there is no way of counting losses with any degree of accuracy. Texas growers are working feverishly to get nipped grapefruit into cans as fruit or juice before alternate freezing and thawing causes "burning" or "scorching." Truck raisers in Texas and Florida are vying to see which state can replant and be first to get early produce to northern markets in the hope of cashing in on fancy prices. Louisiana is happy in an almost undamaged strawberry crop. Cotton growers figure the boll weevil will have been checked. Sugar cane planters in Florida and Louisiana may have lost from 30% to 50% of this year's production and they already are asking the Department of Agriculture for

permission to plant additional acreage.

The snow and severe cold, however, were not of interest to the farmers alone. Coal dealers in many parts of the South sold out and city officials found it necessary to borrow from railroads and electric plants. Dealers in rubber boots and overshoes, blankets and heavy clothing, did a land-office business. Those few accessory shops and garages which had tire chains on hand sold out in a twinkling. Plumbers worked night and day repairing frozen water pipes in homes and public buildings. And natural gas companies did record business.

### Severe Blow to Florida

Truck gardeners apparently bore the brunt of the losses. In the Gulf belt all the way from the Rio Grande Valley, in Texas, to the rich Lake Okeechobee district, in Florida, the early crops of cabbage, potatoes, beans, tomatoes, and greens like spinach and shallots were counted as a 30% to 100% loss. Replanting costs money. In Florida, particularly, many farmers lost heavily on last year's truck crop, and high waters earlier in the present growing season inflicted additional setbacks. With thousands of acres of beans, peas, cabbage, celery, lettuce, beets, carrots, squash, tomatoes, and potatoes almost a total loss from the freeze which hit with greatest force last Satur-

day night, arranging credit to start over becomes a heart-breaking ordeal.

On the other hand, Florida's citrus crop is believed to have suffered only slightly. Agricultural experts explain that the steady cold tended to drive the sap down in the trees, giving them some protection. In addition, smudge pots burned every night, and many growers chartered airplanes to fly over the groves in order to keep the air circulating as an additional measure to keep frost from forming.

### Experimental Crops Suffer

In Texas about half of the citrus crop had been harvested, but the remainder suffered very heavy damage. It appears that thousands of acres of tame and wild castor plants (a new industrial crop being developed in the lower Rio Grande Valley around Brownsville) suffered heavily, and semi-tropical varieties being grown for quick-drying paint oils, insecticide, and cellulose may be almost a total loss. Another experimental crop, dwarf flax which might substitute to some extent for cotton as a cash crop, was set back seriously.

The sugar cane regions report serious damage to the stubble crop. Cane, a two-year crop on a single planting, would have come on from last year's cutting. However, the deeper the frost goes into the ground, the more damage it does the "eyes" on the old roots from which the new shoots would come for this year's stalks. Farmers alternate their plantings, utilizing about half their acreage for the stubble crop and the other half for the new planting. And, as this freeze is believed to have been the worst since 1899 in Louisiana, they are appre-



A Florida farmer covers each of his 190,000 strawberry plants with a berry box as the thermometer drops.

hensive as to the results on stubble land.

There are reports of damage to fruit-tree buds as far north as the Ohio Valley but many experts believe these are exaggerated. In the Carolinas, for example, a relatively cold winter has prevented the tender peach buds from starting to

swell. Hence, they have apparently been undamaged by temperatures in the Piedmonts ranging down to about zero.

One of the loud wails came from vacationists in South Texas' "magic valley." At noon on Jan. 25, the temperature was 78 at Point Isabel. By 6 P.M. it had plummeted to 26 in spite of the warming influence of the Gulf. The blow fell as heavily on Florida as anywhere, for there was a lush crop of winter tourists on hand (*BW—Jan 13 '40, p. 24*), and such a clientele isn't apt to be amused when the thermometer drops to 37 in Miami while it stops at 38 in Seattle—and 53 in Los Angeles.

Yet, in case anyone thinks the press has been playing fast and loose with a good story, let the editors of the *Grape-land Messenger* (Texas) correct that impression. The snow, blown in on a "blue 'norther'," was 4 inches deep on Jan. 25 all right enough, "but people's memory goes berserk about the weather; they forget the big snow of '37, which fell around Thanksgiving time. It, too, was 4 inches deep, but melted quicker than this one because the ground was damp and warm. This time it was frozen."

## Anthracite Tries a Control Plan

**Voluntary limitation of production is latest effort to salvage troubled industry. Operators, union, and Commonwealth of Pennsylvania share supervision.**

WITH THE BLESSING of Governor James, the majority of the anthracite producers of Pennsylvania, in cooperation with the United Mine Workers of America, made ready last week to inaugurate a program of limitation and allocation of production. They hope to stabilize hard-coal prices and thus end months of cutting which had brought the industry to the edge of demoralization in spite of a 10% increase in output in 1939.

Accepting the plan Jan. 23 and announcing that production control would begin Jan. 29, Governor James declared that "it is not their (the operators') intention that the plan should increase the price of coal, but should stabilize prices." The industry's goal, it was reported, was a mine price of \$6.25 for sizes larger than pea—at least for the remainder of the present coal-burning season.

Production limitation, under the plan, is based on advance weekly estimates of the market demand, taking into account coal in storage, in transit, or in railroad cars at mines. Each estimate becomes the production figure for the week, which may be raised 15% in case of extra demand. The tonnage then is allocated among the various producers on the basis of their percentage of the average daily

production in the first four months of 1939, the period preceding the worst of the price war. Thus, in a list of 97 companies (23 of which had not accepted the plan on Jan. 23), Surace Coal Co. was assigned a quota of 0.008%, compared with 18.84% for Glen Alden Coal Co., largest producer in the industry.

By groups, the seven "line" companies, meaning those either now or at one time closely associated with railroads, got 61.64% of the production which may be set, with the rest distributed among 90 "independents." The 23 companies which were late in accepting the plan accounted for slightly less than 3.4% of the average daily output in the first quarter of 1939.

### Can Fix Output Quotas

Supervision of the plan is placed in the hands of an "Anthracite Emergency Committee," composed of three representatives of the Commonwealth, including Claude T. Reno, attorney general, three representatives of the United Mine Workers, and three representatives of the anthracite producers. Executive powers, including fixing of production quotas, are delegated to a subsidiary committee on which the Commonwealth, the miners, and the operators have one representa-

tive each. Provision is made for an "Anthracite Producers' Advisory Board" of fourteen members to advise the executive committee on production, demand, and related matters.

Production control is not new in the anthracite industry. As far back as 1879 a system of restriction of output was adopted to stabilize price levels. The present step, however, probably had its roots in the World War and the strike-torn years of 1922 to 1926. The anthracite industry reached its peak in the World-War period with an output of 99,611,811 tons in 1917. But the war, by disturbing established fuel-distribution set-ups and encouraging the use of substitutes, brought the seeds of future trouble.

### Paying for Idleness

The breakdown of negotiations for a new wage agreement in 1922 precipitated a 165-day strike. This was followed by an 18-day strike in 1923 and a final 170-day strike beginning Sept. 1, 1925. In all, the industry was idle 351 days in the four years ending April 1, 1926. From this blow, it has not yet recovered. With production tied up, more and more consumers learned that substitutes were available, and in addition merchandisers of these fuels developed increasing aggressiveness.

Then came the lean years of the depression and the rise of the "bootlegger," or outlaw miner. In 1939, the Pennsylvania Department of Mines estimates, "bootleg" coal production by some 9,000 miners totalled 3,500,000 tons, which of course was lost business for the legitimate producers, who mined some 50,807,000 tons, compared with the modern-times low of 45,099,027 tons in 1938.

### Aims at Price Stabilization

With competition increasing and production falling, the industry embarked as early as 1925 on combustion-engineering service, and in late years has gone heavily into advertising and other sales promotional plans, which have begun to bear fruit. But with ability to produce exceeding demand, anthracite has been increasingly preoccupied with a search for some means of stabilizing prices. In 1935, following NRA, an "Administrator" was appointed for the industry and an open-price filing system adopted. The office of Administrator was discontinued in 1937, and in 1938 a new open-price filing system was inaugurated on Jan. 31. It lasted, however, only until Feb. 15, 1939, as a result of withdrawal of major operator support on the ground that it was not being observed.

Since then, one scheme after another has been discussed. How the new plan will be enforced is a question, inasmuch as it is entirely voluntary. However, many feel that the power of the union and the influence of the Commonwealth may be sufficient to keep it working.



He: *Miss Dale, you're a fast worker!*

She: *Thanks! But it's just that new*

## MODEL M CUSHIONED-TOUCH COMPTOMETER

"Comptometer Economy" is a familiar (and pleasant) story to executives in almost every business and industrial field. It's a story that "boils down" to *more figure work handled in less time at lower cost*, through high speed, Controlled-Key accuracy, flexibility—and modern Comptometer methods.

And now, the handsome new Model M Cushioned-Touch Comptometer offers all the fundamental Comptometer advantages, together with many important *new* features and improvements which contribute to increased figure-work savings.

A demonstration of "Comptometer Economy," as it applies to your own figure-work problems, may be arranged by telephoning your local Comptometer office . . . or by writing direct to Felt & Tarrant Manufacturing Company, 1733 North Paulina Street, Chicago, Illinois.



**LIGHTER** key-stroke and remarkable new quietness of operation are among the host of improvements built into the new Model M Comptometer.

### NEW FEATURES OF THE MODEL M CUSHIONED-TOUCH COMPTOMETER

#### For faster, easier operation:

- Lighter key-stroke
- Flexible keyboard
- One-hand subtraction
- Improved decimal pointers

#### For greater quiet:

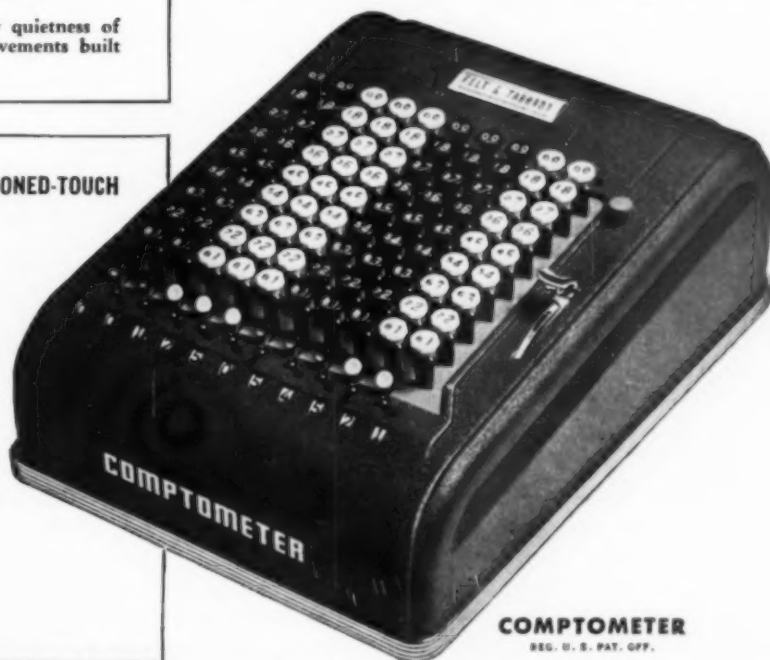
- Mechanism floated in rubber
- Scientific soundproofing

#### For improved appearance:

- Cancelling lever built inside case
- New color and modern, simplified lines to harmonize with modern office interiors

#### For minimized eye-strain:

- No-glare answer dials
- Larger, more legible answer numerals
- Restful grey-green color



**COMPTOMETER**  
REG. U. S. PAT. OFF.



## Co-op Refinery Becomes a Fact

**Having acquired \$750,000 plant and pipeline, consumer association plans production subsidiary next. Program brings new life to north-central Kansas.**

ABOUT THE MIDDLE of this month, if all goes well, the Wichita (Kan.) Bank for Cooperatives will advance \$260,000 to the newly organized Consumers Refinery Association of Phillipsburg, Kansas, thus launching the world's first complete cooperative oil refinery.

Technically, the plant is still owned by the capitalistic Mid-Continent Construction Co., pending final operating tests. Latest reports indicate that the refinery is operating at above its rated capacity of 88,000 gals. of refined fuels every 24 hours.

Comparatively small as refineries go, Consumers Refinery Association's output will supply only 40% of the parent Consumers Cooperative Association's requirements. The balance will be purchased on the open market. Globe Refining Co., an independent at McPherson, Kansas, and Sinclair Refining Company have been favored with most of the gasoline orders. Rock Island Railroad has contracted for all the heavy fuel oil produced by the refinery.

When Howard Cowden, a founder and president of Consumers Cooperative, began talking up a co-op refinery four years ago, he mentioned to only a few intimates his vision of some time being able to offer member associations 100% co-op gasoline—co-op from oil wells to retail pumps. Cowden wisely sold one proposition at a time. As soon as the re-

finery and pipe line were assured, he started making the rounds of C.C.A.'s ten-state empire, pointing out the advantages of producing oil. Enough encouragement has already been received from member co-ops to assure the formation of an oil production subsidiary following C.C.A.'s annual meeting to be held in October.

### Financing the "Vision"

Old-time oil men can't quite comprehend how Cowden financed the \$750,000 refinery and pipe line on the very short shoe string he had to start on. Without paying anything in commissions, something like \$362,000 in preferred stock has been sold (1) to 6,000 individual members of local co-ops, (2) to non-co-op residents of Phillipsburg (they bought \$20,000 worth of preferred stock and donated an 80-acre site for the refinery), and (3) to gas and oil co-op associations which are paying for their stock at the rate of  $\frac{1}{16}$ ¢ per gal. of gasoline purchased from C.C.A.

Then there was the loan of \$260,000 from the Wichita cooperative bank which is to be retired as stock subscriptions are paid, and from current income. Consumers Pipe Line Assn., a subsidiary, financed the 70-mile long gathering system which cost \$300,000 by paying the construction firm \$50,000 cash (advanced by C.C.A.), and a contract to

pay the balance monthly from pipe line revenues.

Of all the oil fields in the Mid-Continent area, those in north-central Kansas had probably received the least attention from both major and independent refiners. Since the co-op refinery and pipe line were announced, the whole area has come to life. Kansas oil men who have made and lost money under the profit system are unimpressed with the fact that the world's first cooperative refinery is now a going concern, but they are aware that the first pipe line and refinery of any description in north central Kansas are buying crude oil in an area that has been as hard hit agriculturally and industrially as any in the state.

Whether they are right or not, many of the old timers think the co-op pipe line had something to do with Stanolind's starting construction on a pipe line from Ellis County, a short distance south of Phillipsburg, to connect with its Wyoming to Indiana truck line. Two competing pipe lines are, in a producer's estimation, ten times better than one.

### A Record of Progress

Under Howard Cowden's guidance, C.C.A. continues to forge ahead as it has every year since 1929 when the association started with \$3,000 as a one-tank-truck wholesale petroleum cooperative. Last year C.C.A. took the cash basis plunge (all invoices due ten days from date), and ended the fiscal year (Aug. 31) with 452 active accounts which had bought \$4,500,000 in merchandise of which about half was petroleum products. An increase of 3.27% over the previous fiscal year was gratifying, but the first four months of the current fiscal year show an improvement of 12% over the like period in 1938. Only items to show losses are tractor gasoline (giving



This \$750,000 complete cooperative refinery at Phillipsburg, Kansas, is about to be turned over to the Consumers Refinery Association, a subsidiary of Consumers Cooperative Association (wholesale), in North Kansas City, Mo. Financed largely by farm co-ops in



ten Middle Western states, the refinery will produce 88,000 gals. of refined fuels every 24 hours—40% of C.C.A.'s requirements. C.C.A. has a total of four railroad tank cars at the Phillipsburg refinery now (right), smartly painted with the co-op colors.

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## "Say, Mr. Clark— what is an Actuary?"



**SUPPOSE YOU WERE** being shown through the Home Office of a life insurance company and came to a door lettered "Actuary." Perhaps you might be puzzled as to the meaning of the word.

Of course, if you turned to the dictionary, you would learn there that an Actuary is "one whose profession is to calculate insurance risks and premiums."

► This definition is correct, as far as it goes. But it falls far short of picturing the true scope of an Actuary's activities.

Nowadays his profession is highly specialized. It is a profession in which a man may hope to gain recognized standing only after years of intensive study and training. For he must have a thorough knowledge of the three complicated factors on which life insurance premiums are based... Mortality, Interest, and Expense.

For example, in order to arrive at premium charges which will be both safe and fair, the Actuary must make detailed analyses of the past and present death rates among many different groups of people. From these studies, he is able to compile mortality tables which provide



an amazingly dependable yardstick for his guidance in computing premiums.

► The Actuary must also take into account the interest rate which the company may reasonably undertake to earn on the investments it makes for the benefit of its policyholders.

And in a mutual life insurance company, such as Metropolitan, the Actuary prepares data which enables the Board of Directors to determine the annual divisible surplus which will be returned to

the policyholders in the form of dividends.

Another of the Actuary's duties, together with the legal staff, is to draw up the policy forms issued by the company.

He keeps running records of such important matters as mortality... the ages and occupations of people insured... the company's experience on outstanding policies. He also assembles data needed for the preparation of the Annual Statement, which is submitted to the proper state authorities, and forms a public record of the year's activities.

► In short, because of the nature of his work, an Actuary might well be defined as the "engineer" who helps design the "product" a life insurance company offers... and then figures out what the policyholders should reasonably pay for the benefits provided by their contracts.

COPYRIGHT 1940—METROPOLITAN LIFE INSURANCE COMPANY

*This is Number 22 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.*

### Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker, CHAIRMAN OF THE BOARD

Leroy A. Lincoln, PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.



## \$ 2,000 FISHED OUT OF FASTENING



PERHAPS YOU COULD SAVE AS MUCH BY  
SWITCHING TO BOSTITCH FROM YOUR PRESENT  
FASTENING METHOD

Sewing fish hooks to cards was risky, slow. Now a Bostitch staple through the spinner eye, another with outside loops to hold the hooks—saves \$2,000 a year.

FOR OFFICE DESK  
OR PRODUCTION  
LINE



Two extremes in Bostitch fastening machines: the widely-used Desk Fastener, the high-production Steel Sticher. Other machines fasten wood, cloth, leather.

18 Research Engineers . . . 782 easy-to-operate models . . . 300 specializing representatives . . . to help you adapt the Bostitch principle to your fastening problem. Send samples for recommendation. No obligation.

HERE'S A REAL CATCH IF YOU'RE  
FISHING FOR PROFITS

Thousands of manufacturers have saved money and made products securer, safer, more attractive—by fastening with Bostitch instead of tacks, nails, tape, glue, clips, welding, rivets and screws. Send today for "Bostitch Fastens It Better with Wire," which also describes liberal trade-in, budget and rental plans.

**BOSTITCH**  
*fastens it better with wire*  
STAPLING • STITCHING • TACKING

BOSTITCH, 50 Division St., East Greenwich, R. I.  
Bostitch - Canada, Ltd., Montreal

Send free copy of Folder, "Bostitch Fastens It Better with Wire," containing fastening facts for my industry.

Name .....

Company .....

Address .....

My industry .....



Executives of the Consumers Refinery Association draw off a sample of cooperatively refined fuel at their new plant in Phillipsburg, Kansas—Miles Cowden, assistant superin-

tendent of the refinery; Howard A. Cowden, president; Emil Geppelt, head of Mid-Continent Construction Co., which built the plant; and L. M. Johnston, refinery superintendent.

way to high compression gasoline) and kerosene (giving way to rural electrification). Another co-op refinery will soon be built by the Indiana Farm Bureau Cooperative Assn. To get the advantage of barge transportation rates, the refinery will be located at Mt. Vernon, Ind., on the Ohio River.

The Indiana Farm Bureau Co-op Assn. now supplies practically 100% of the local co-ops in the state with petroleum products. Co-op wholesalers in neighboring states are said to be dickering for fuel from the new refinery.

## Food Firm Adds Films

Standard Brands will also have developing service, though plans are nebulous.

DRUG STORES used to get all but a trickle of the photo film and finishing business. As photography became a national mania, specialty camera stores mushroomed around the country. That was all right with the druggists, for the trade as a whole was increasing so fast that they weren't suffering.

What worried druggists was the possibility that film would find its way into some other type of one-on-every-corner outlet. Specifically, druggists worried about grocery stores. And, led by Kroger Grocery & Baking Co., the food trade has been making passes at films and finishing.

Kroger began selling film in 1934, but there was no trend until last spring (*BW*—Apr 8 '39, p31), when American Stores Co., Grand Union Tea Co., and a group of 300 independent Baltimore grocers among others took up the idea. Still,

films haven't been pushed to grocers generally.

Now it seems likely that they will be, for recently there's been a rumor that the giant food-manufacturer Standard Brands was dickering with Eastman Kodak to get film to push to food distributors along with Chase & Sanborn coffee and all the other Standard Brands products. Someone even blew the rumor up to the point where Standard Brands was going to buy Eastman.

That isn't true, of course. But it's a fact that Standard Brands is going to take on films—not just Eastman's, but all brands. If Standard Brands can get Eastman film, it can probably get the others. Up to now, grocers who have sold film have had to be content with foreign or little-known domestic brands.

Standard Brands' plans are described as "still nebulous," but it's known that arrangements will be made for finishing the films after they've been sold at retail. No date has been set for the try-out, and the films will be pushed in only a few of the Standard Brands divisions to begin with. Thus far the big competitor, General Foods, hasn't considered taking on films.

## Picketing Marathon Ends

CHICAGO last week lost a Sheridan Road landmark of six years standing when pickets were withdrawn from the swanky Edgewater Beach Hotel. Picketing had been continuous for 24 hours a day ever since it started in January, 1934, with a wage-demand strike of the electrical workers, who were presently joined by bartenders, busboys, cooks, and waiters. Terms on which the strike was settled were not announced.



# "STUDEBAKER CHAMPION ...an ideal car for fleet service"\*

Noted automotive engineer representing one of the largest public utility companies in the United States acclaims gas-saving, roadability, performance, and freedom from repairs of the new low-priced Studebaker Champion

We have just finished an 8,500 mile test of the Studebaker Champion under conditions varying from smooth concrete to deep mud. We have checked its performance on the open highway and in city traffic.

We have arrived at two important conclusions: First, the Champion should operate more economically than other cars in the low price field; second, it is equal or better from a standpoint of roadability, riding and ease of handling. It showed exceptional acceleration, deceleration, and power on grades.

No repairs were required during the test period and the obviously high quality of construction indicates that this item of cost will be held to a low figure. Taking all factors into account, it is our opinion that the total operating cost of the Champion will be substantially below that of cars now generally in use.

The Studebaker Corporation is to be congratulated on the production of what we consider an ideal car for fleet use.

Very truly yours,

\*Name and address on request

SALESMAN'S  
COUPE

**\$660**  
DELIVERED AT  
FACTORY,  
SOUTH BEND

Priced on a level  
with the 3 other  
large-selling  
lowest price cars



## PROVE THE CHAMPION YOURSELF!

The Champion is one of the three Studebakers that recently captured the first three places in the Gilmore-Yosemite Economy Sweepstakes—the Champion, with an expert driver at the wheel, averaging 29.19 miles per gallon against the pick of the nation's cars.

Let us show you, in an adequate test, how the Champion can save money for your firm as it is doing for hundreds of other firms that operate salesmen's and travelers' cars.

See your local Studebaker dealer. Liberal trade-in allowance—easy C.I.T. terms.

## South Plans Own Reconstruction

Conference at Nashville, following up work begun by governors, reveals determination to face the facts and balance Dixie's economic life.

SHIVERING in sub-zero temperatures, a long queue waited Friday of last week for the Nashville, Tenn., opening of "Gone with the Wind." The film depicts in all the glories of technicolor and Clark Gable the passing of the slave-owning South.

A good biscuit-toss from the theater, at the Andrew Jackson Hotel, another group was simultaneously speeding the decline of more recent southern handicaps. It was the southern conference on interstate problems held in cooperation with the Council of State Governments. At one session tall and lanky Clarence Poe, veteran editor of the *Progressive Farmer*, Raleigh, N. C., spoke in accents that would have outraged the old-fashioned gentleman.

"The South," drawled Editor Poe, "will have to learn that the manure pile is just as important as the magnolia tree."

He meant that perfumed romanticism was all right in its place, but the the economic salvation of the South will come from intelligent farming. Had a Yankee linked manure and magnolia it might have been austere received. Applause that greeted the statement as coming from Editor Poe symbolizes the most important phase of the South's second reconstruction.

### Diagnosing Themselves

Leaders of the movement are southern men. They are editors, educators, officials, and business leaders. It was this same technique which enabled the southern states to accept as ailments that must be cured facts presented in the "Report on Economic Conditions of the South" prepared for the President in 1938 by the National Emergency Council (*BW—Aug 30 '38, p14*).

Had this study been made by outlanders it would have been greeted with stony silence or rebel yells. But it was the work of southerners whose faith and motives were above question. A fine specimen of Roosevelt phrasecraft gave the cause a further lift ("The South presents right now the nation's No. 1 economic problem").

This report to the President provided a spiritual skirmish line for the drive which marked a further advance at Nashville. On the committee which made the study was persuasive Frank Graham, president of North Carolina University. Dr. Graham and Editor Poe are members of the committee which last year prepared the 10-point program for the

Southern (formerly Southeastern) Governors Conference. Its aim is a balanced prosperity for the South by 1950; it provides a cure for the gaunt deficiencies originally diagnosed.

The plan demands a balancing of (1) money crops with food, feed and fertility crops, (2) all crops with a consistent live stock utilization, (3) production progress with marketing and transportation opportunity free of trade barriers, (4) farms with factories, (5) land, water and mineral resources with population needs, (6) work with thrift and local investments, (7) owner prosperity with worker prosperity, (8) increasing income with increasing home ownership, (9) wealth with beauty and culture, (10) economic gains with advances in moral and human values.

### Necessity Prods the South

The Nashville conference on interstate problems "heartily indorsed" this program of the southern governors and pledged its "enthusiastic support."

While the Nashville meeting heard plenty of oratory from attending governors and ate plenty of good Tennessee vittles, the discussion sessions revealed the true vitality of this new movement. Speakers pointed out that for years Editor Poe and other seers have attacked the South's devotion to its great money crops—cotton and tobacco.

"At last," said one, "the whip of ne-

cessity is on our backs. We've got to diversify now."

He referred to recent moves in the war zone. England is going to buy Turkish tobacco instead of southern tobacco. England is looking to her economic allies for a greater proportion of her cotton needs, although Dixie's exports were boosted in the first months of the war. Britain's balances in this country will go largely for trucks, airplanes, other war supplies not produced in the South. Under such compulsions southern economists believe they can finally realize plans for crop rotation, soil conservation, food production, stock raising, dairying.

### Conference Seeks Causes

The Nashville gathering lacked entirely the familiar booster club whoopee. Nobody made eyes at northern industrialists. Schemes for enticing outside capital to "develop the South's natural resources" were conspicuously absent. Instead the delegates dug down in search of basic causes.

"I've just finished a tour of our states," stated an Alabama publisher. "It convinced me that our troubles are rural. When industry lays off men—whether from introducing machines that eliminate jobs or weeding out unproductive workers or just plain hard times—those men go back to the farm."

Another speaker said: "Our itinerant farmers are a great, ignorant, inert, hopeless mass. They roam from one worn-out patch to another. In their homes you can see the stars through the holes in the shingles. Rain and snow sweep into the pitiful rooms where they sleep. In some sections 56% of the families move every year. You could buy everything the family owns for \$25. Often the annual income for a family of five is about \$126 a year."

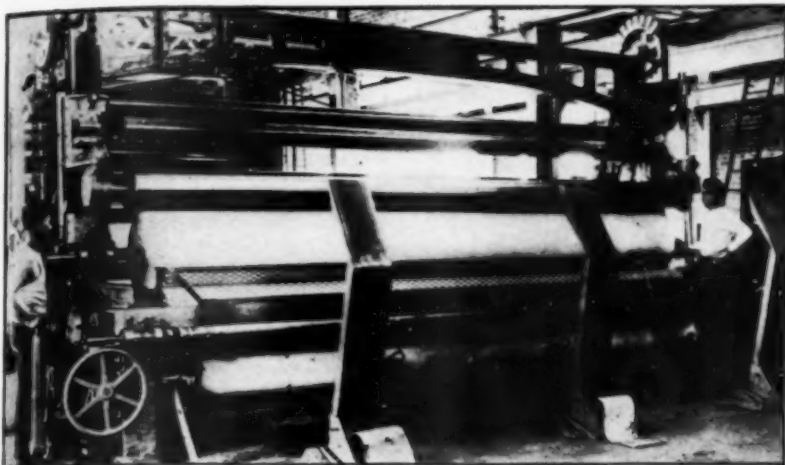
And again, "underlying the farm



Four southern governors discuss reconstruction plans at the southern conference on interstate problems, which was held in Nashville

last week—E. D. Rivers of Georgia, Carl E. Bailey of Arkansas, Lloyd C. Stark of Missouri, and Prentice Cooper of Tennessee.

## Newsprint from Southern Pine Trees



Commercial production of Southern Pine newsprint began last week on this machine in the \$6,000,000 plant of the Southern Paper Mills, Inc. at Lufkin, Tex. Southern newspapers have con-

tracted for five years' output (BW—Jan 6/40, p. 4). In the picture below employees of the *Lufkin News* are celebrating the unwrapping of the first delivered roll.

Wide World



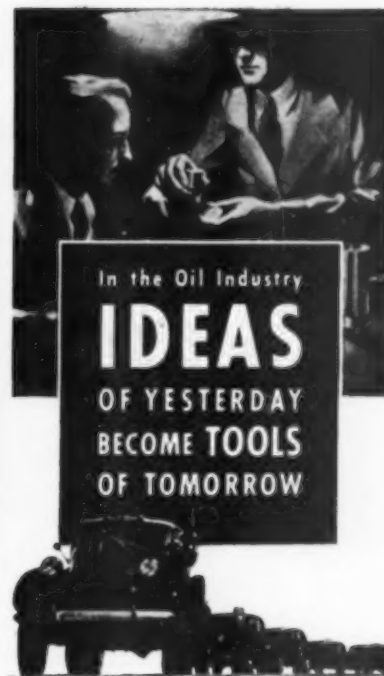
problem is the need of education. We ought to have a real farm program but it can never be effected without educating the people. Ignorance is the South's public enemy No. 1. I still hear some folks say that the tenant farmer must be kept ignorant so he can be controlled. But, thank God, I hear that less and less. By keeping so many of our people in this condition we increase our own tax burdens, we prevent their bearing a share of government costs, we drive their young people to crime, and we invite a real upheaval."

A reporter asked the last speaker whether he would apply his remedies to black and white alike. "Certainly, sir," was the answer.

Backing of the 10-point, 10-year plan was included in the Nashville conference's resolutions. Other important declarations were: (a) Opposition to state

trade barriers and advocacy of their repeal; cotton states are especially concerned over discrimination against oleomargarine and other cotton-seed products by dairy states; (b) indorsement of a program for proper land utilization, including soil classification, the grading, classifying, processing and standardization of agricultural products, particularly with respect to weights and measures; (c) recognition of relief programs as a permanent government function which need national integration with costs "directly related to need, capacity to pay . . . and the economic resources of the federal, state and local governments"; (d) maintenance of efficient transportation under fair rates and regulations that do not discriminate against any commodity or region (echoing the southern governors' drive for lower freight rates).

On other matters the committee with-



## LANE-WELLS ENGINEERS ARE A STEP AHEAD IN DESIGN AND CONSTRUCTION...

"A gun to shoot holes in oil well casing" was just an idea until Lane-Wells Engineers developed it, tested its possibilities and produced the Gun Perforator. Today Lane-Wells Gun Perforator Service has been used successfully by 2300 Oil Companies on more than 25,000 wells. The methods made possible by this "idea" have cut oil well completion expenses and increased immeasurably the world resources of heretofore unrecoverable oil.

Lane-Wells Electrolog, Oil Well Surveys and Directional Drilling are other Technical Oil Field Services that were also only ideas until developed. The successful application of these ideas and their acceptance by petroleum engineers throughout the world is proof of Lane-Wells' ability to meet the needs of the industry with "Tomorrow's Tools—Today."

A Bulletin about Lane-Wells Technical Oil Field Services will be sent upon request. Write Lane-Wells Co., Los Angeles.



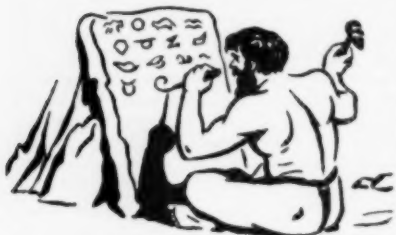
Operators today save thousands of dollars by single-string Gun Perforation completions.

**LANE WELLS**  
*Everywhere*





## ADDRESSING MACHINES



If you used stone address cards a few thousand addresses would weigh many tons.

If you are now using metal address plates, 10,000 of them would weigh up to seven hundred pounds. If you change to Elliott address cards you will cut the weight to sixty pounds for 10,000 cards. (60 vs. 700!)

Since you must be able to read, write upon, handle and color your address cards, why use metal and then at great expense fasten to each one of your address plates a fiber index card which can be read, written upon and colored? Thousands of addressing machine owners have recently changed to Elliott address cards because they are made of fiber and are easily read, written upon and colored.

A booklet telling twenty-eight additional amazing reasons why it pays to change to Elliott address cards will be mailed if requested on your business letterhead.

**The Elliott Addressing Machine Co.**  
151 Albany Street Cambridge, Mass.

**NAME and DATA WRITING**

held resolutions but pronounced political opinion. It declared that the states have cooperated to safeguard their petroleum resources and urged all producing states to join the Interstate Oil Compact. It bowed in the direction of industry by declaring that any interpretation of the federal wages and hours law which failed to recognize the lack of skilled workers in the South or failed to make due allowance for these and "other conditions peculiar to the South, constitute a discrimination against southern industry and is a trade barrier which we thoroughly condemn."

### "States' Rights" Cry Raised

The Nashville conference was called by the Council of State Governments at the suggestion of southern governors who felt the need of a regional pow-wow. Boyish-looking Prentice Cooper, governor of Tennessee, was host. Lloyd C. Stark, governor of Missouri and head of both the Council and its affiliated Governors Conference, attended. He spoke against state barriers and in favor of states living up to their responsibilities. (On the side he may have piled up some political good-will which should come in handy in the approaching race for the Democratic Presidential nomination.)

Pudgy Gov. Carl E. Bailey, of Arkansas, advocated hospitable acceptance of federal financial grants but spoke darkly of encroachments by Washington's bureaucrats on "states' rights" (in the use of the money). Another to raise the "states' rights" cry was ponderous Gov. Leon C. Phillips, of Oklahoma. He attacked the Cole bill (which proposes federal control of petroleum), warning against encroachments in other fields.

Gov. E. D. Rivers, of Georgia, was one of the busiest personages at the conference. In one talk, this friend of F.D.R. referred to the displacement of men by machines and charged that business as a whole had failed to develop new jobs (du Pont was cited as a shining exception). He suggested that private companies might be stimulated in research for new enterprises by tax concessions or other inducements.

### Housing Census

FINAL DECISION as to whether census takers will ask questions on housing or not this spring is up to Congress, which will have to appropriate the necessary extra money. But the Census Bureau has prepared 31 questions that would be asked about the structural type, equipment, and ownership of the 35,000,000 or so dwellings in the country. Some of the questions determine the number of occupants of a residence, type of refrigeration used, ownership of radio, and kind of heating equipment. Finally, if the dwelling is owner-occupied and mortgaged, the nature of the mortgage would be determined.

## The Business Index

(1923=25=100)

AS A CONVENIENCE to record-keeping users of BUSINESS WEEK's Index of Business Activity, the figures for the years 1937, 1938, and 1939 have been brought up to date on a weekly and monthly basis. There were some revisions during the months of July, August, and September last year to take care of the changing seasonal in automobile production. (Monthly back figures are available on request to 1919; weekly figures, to 1929.)

### The Weekly Figures

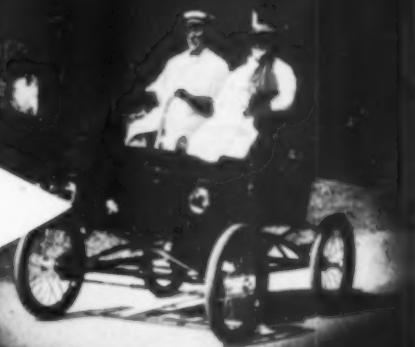
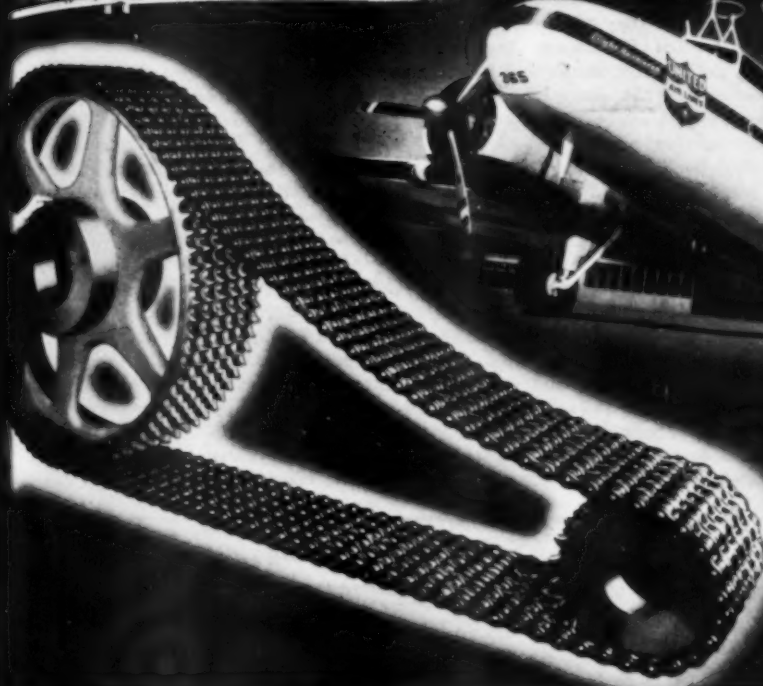
1937	1938	1939
Jan. 2 113.1	Jan. 1 77.7	Jan. 7 105.3
9 113.6	8 79.2	14 102.9
16 113.0	15 82.1	21 104.1
23 111.5	22 82.8	28 103.5
30 108.1	29 83.4	Feb. 4 101.9
Feb. 6 109.4	Feb. 5 82.3	11 101.3
13 110.4	12 82.2	18 99.8
20 113.1	19 81.1	25 100.8
27 116.8	26 81.3	Mar. 4 100.4
Mar. 6 117.0	Mar. 5 80.9	11 98.7
13 116.7	12 80.4	18 99.1
20 117.6	19 79.9	25 99.2
27 116.8	26 80.5	Apr. 1 98.8
Apr. 3 114.0	Apr. 2 79.1	8 93.3
10 113.6	9 79.0	15 93.5
17 116.6	16 78.3	22 94.3
24 118.9	23 76.7	29 94.5
May 1 121.1	30 76.3	May 6 91.8
8 120.2	May 7 75.7	13 90.6
15 121.3	14 76.0	20 93.3
22 121.5	21 75.3	27 95.3
29 123.5	28 75.6	June 3 96.7
June 5 121.0	June 4 75.1	10 99.1
12 116.9	11 74.3	17 99.6
19 118.2	18 74.3	24 101.2
26 118.8	25 75.8	July 1 101.4
July 3 121.2	July 2 78.4	8 101.0
10 124.6	9 77.4	15 100.4
17 123.9	16 82.0	22 101.9
24 121.2	23 82.8	29 105.1
31 120.8	30 84.0	Aug. 5 104.6
Aug. 7 119.9	Aug. 6 84.4	12 105.8
14 121.4	13 83.3	19 105.3
21 120.0	20 84.5	26 106.4
28 120.4	27 85.8	Sept. 2 108.2
Sept. 4 120.4	Sept. 3 88.0	9 110.8
11 120.6	10 88.1	16 114.0
18 116.6	17 89.4	23 117.1
25 113.0	24 91.0	30 119.3
Oct. 2 114.5	Oct. 1 92.5	Oct. 7 120.5
9 113.9	Oct. 8 94.8	14 121.1
16 113.5	15 98.9	21 121.9
23 107.4	22 98.9	28 121.6
30 104.3	29 101.2	Nov. 4 122.0
Nov. 6 100.5	Nov. 5 100.9	11 123.5
13 94.8	12 101.5	18 124.1
20 91.1	19 104.6	25 124.6
27 88.1	26 105.1	Dec. 2 125.7
Dec. 4 84.4	Dec. 3 105.2	9 125.4
11 84.6	10 103.8	16 125.6
18 83.6	17 104.2	23 125.6
25 85.3	24 103.5	30 125.3
	31 105.0	

Annual Average 111.9 86.3 107.1

### The Monthly Figures

Jan.	111.6	81.9	104.0
Feb.	112.4	81.7	101.0
Mar.	117.0	80.2	99.2
Apr.	116.8	77.6	93.9
May	121.6	75.7	92.8
June	112.7	75.6	99.6
July	122.3	81.6	102.1
Aug.	120.4	84.5	106.1
Sept.	117.0	89.8	115.3
Oct.	109.8	98.5	121.3
Nov.	93.6	103.0	124.0
Dec.	83.1	104.3	125.5

\*Included in average for preceding year.



1890-1940

# 50 YEARS OF DOING ONE JOB WELL

## Making Roller Chains for Every Power Transmission Purpose

50 years Diamond has concentrated all efforts and resources on one purpose—the making of better Roller Chains and Sprockets and applying them to the power transmission needs of industry. 50 Years at one job have built a reservoir of manufacturing and operation experience which has made possible the anticipation and meeting of the fast developing needs of industry. Diamond Chains were first used on the safety bikes of the early 90's and are used on today's modern airliners,—on the first gasoline buggies and on the first model cars for the high speed timing drives,—on the propellers of the first successful airplane (Wright brothers, Kittyhawk) and on modern airliners for important controls.

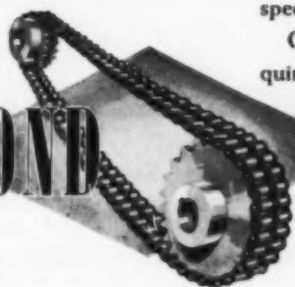
Beginning with the mechanization of industry in the early 1900's, machinery designers have made wide use of Diamond Chains and production men have found this efficient and positive means of power transmission a genuine aid to lower costs, more uniform quality and higher production rates. Diamond Roller Chain Drives are in daily use in more than one hundred major divisions of industry and in every kind of power transmission service, including the heavy slow speed drives, precision high speed timing drives, and motor drives of every kind and size.

Our 50 years of experience is at your disposal; your inquiries are appreciated as much now as in our earlier days.

# DIAMOND

# ROLLER CHAINS

DIAMOND CHAIN & MFG. CO.  
439 Kentucky Ave., Indianapolis, Ind.  
Offices and Distributors in All Principal Cities



IT'S THE DRIVE YOU USE THAT MAKES THE DIFFERENCE

## MARKETING

ADVERTISING • MERCHANDISING • SELLING

### A. & P. Answers "Net Price" Ban

**Chain refuses to buy from suppliers who use brokers, since Supreme Court bars buying practice that circumvents prohibition on splitting brokerage.**

LAST WEEK, when the food industry held its annual conventions in Chicago (BW—Jan 27'40, p17), the Robinson-Patman Law, for the first time since its enactment in 1936, was not the major subject of discussion. But if the conventions were to be held over this week, the R-P Law might again command the center of the stage.

For just as the various meetings of the canners, wholesalers, brokers, and jobbers were breaking up, Great Atlantic & Pacific Tea Co. dropped a bombshell into the whole food trade by announcing that the company "felt it could no longer make purchases from manufacturers who deal with brokers." The new policy, said A. & P., was made "in view of lower court decisions on the Robinson-Patman Act."

This week the statement could have been amended to read "in view of the Supreme Court's final decision," for on Monday the highest court denied the company review of the case by which it has sought to escape the Federal Trade Commission's cease-and-desist order. This was the Supreme Court's second denial of the company appeal and it was handed down in the record time of five days.

The R-P Law makes it illegal for any person to pay brokerage commissions, "except for services rendered," to any buyer or to any intermediary subject to the direct or indirect control of the buyer. This prohibition applies with equal force to the acceptance of such commissions.

#### Court Agrees with FTC

In the Biddle Purchasing Co. case (BW—Oct 22'38, p17) the first loophole—"except for services rendered"—was closed when the Supreme Court agreed with FTC that it was impossible for a buyer to render any service to a seller or his agent.

This week the court closed a second loophole when it agreed with the commission that a buyer could not lawfully circumvent the ban on split brokerage by buying on a "net" price basis. This was the practice to which A. & P. resorted when the law forced it to abandon the direct collection of brokerage and when

the Biddle decision made it clear that buying agents were not entitled to commissions, no matter how comprehensive a brokerage service they rendered. A. & P. simply instructed its buyers to purchase at "net" prices, which quotations were lower than the generally prevailing price by just about the amount of the brokerage commission.

A. & P. defended its practice by pointing to another section of the law which, while it forbids price discriminations, does allow price differences that make only due allowance for savings in the cost of making a sale. The company contended that it should not have to pay a price which included selling expenses the manufacturer did not incur. But the Supreme Court said "No" and ruled, in effect, that the net price is simply brokerage by another name.

A. & P.'s answer is that it will escape this charge by refusing to deal with any

manufacturer who uses brokers. Then, says the company, no court will be able to construe its net prices as being based on a brokerage "currently being paid by sellers to their brokers."

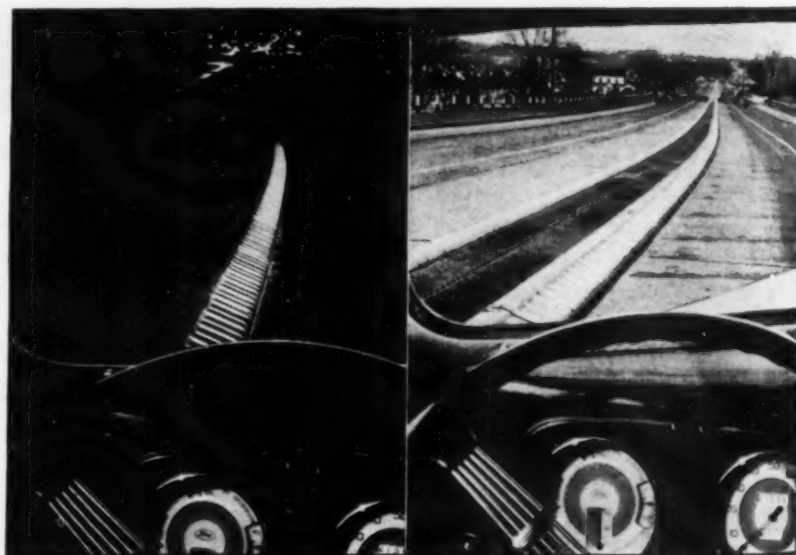
Excitement over the announcement comes from no surprise element, rather from the fact that it had been built up by long anticipation. Opponents of the R-P Law have always said that brokers who worked for its adoption were forcing mass distributors to do their own manufacturing or to deal with suppliers who catered specifically to the big distributors. And A. & P. has simply put into formal words a policy that it and other big distributors have been carrying out slowly over the last few years.

#### Push for "Death Sentence"?

A. & P. never lets out figures, but it's safe to say that if the company puts its announcement into effect immediately, it will eliminate few brands. Most of the big national brands—like those of General Foods and Standard Brands—are sold direct and not through brokers. And A. & P. must already control—either through ownership or by taking an important part of output—a large majority of the packers who supply A. & P. private-label goods.

Brokers and independents say, however, that the announcement gives new impetus to Rep. Wright Patman's "death sentence" chain tax bill, which he hopes to get before Congress this session. And there is talk that he may even revive his old idea of a law to prohibit manufacturing operations by distributors.

### For Safer Night Driving



Reflecting curbs on the center island of Route 4 in Bergen County, N. J., make night driving safe on through highways. These night and day views show how the island appears

to the driver—who no longer can be troubled by on-coming traffic or hitting an unseen middle strip. White cement and reflecting faces make the precast curbs doubly visible.

Construction Methods



## Advertising Faces Double Threat

**But the Boren grading bill isn't being taken too seriously, and FTC's distribution cost survey is planned chiefly to preserve an appropriation.**

WASHINGTON (Business Week Bureau) —Advertising needn't head for the cyclone cellars, despite two threatening developments: (1) consideration of the Boren bill, which would authorize the National Bureau of Standards to set up quality and performance standards for consumers' goods, and (2) disclosure that the Federal Trade Commission wants to investigate advertising.

That the Boren bill is no great threat was shown at public hearings last week by the attitude of the subcommittee of the House Interstate and Foreign Commerce Committee. The members don't see any point in throwing at the heads of an economy-minded Congress a new project to cost a million dollars a year and they apparently have little appetite for establishing a practice that might eventually lead to a compulsory grade-labeling system for all products.

Under the bill, which exempts foods, drugs, and cosmetics—the Big Three in the long war over grade-labeling—no manufacturer would be compelled to adopt standards fixed by the bureau, but those that did would be permitted to show compliance on their labels. It is the permissive labeling feature which most disturbs advertisers, as it did in the fight over similar provisions in early drafts of the food and drug law and during the NRA code days. They contend that the display of such labels backed by federal authority would tend to vitiate advertising effort in behalf of superior products exceeding grade A requirements. Consumers, they fear, would buy by grade mark rather than trade mark.

### How Much for Enforcement?

Dr. Lyman J. Briggs, director of the bureau, testified that the cost to his agency would be "less than \$1,000,000 a year." He ducked an estimate of the cost of enforcement against manufacturers who misbranded their products and who would hence be liable to action by the FTC. Such things as gasoline, sewer pipe, farm machinery, tractors, and auto tires would not be touched at the beginning of a standardization program, Briggs said.

The bill came to Capitol Hill last year from Secretary Harry Hopkins' brain trust and has the support of the Department of Commerce, of which the bureau is a branch. Consumer organizations unanimously oppose placing in the Secretary of Commerce sole au-

thority for the selection of products to be standardized.

They have suggested a joint committee consisting of the Secretaries of Commerce, Agriculture, Labor, Treasury and the Chairman of the Federal Trade Commission. They really want a Department for Consumers.

Some suggestion was made that in lieu of the Boren bill, Congress merely amend the act establishing the National Bureau of Standards to permit it to formulate standards for consumer goods. This would make unnecessary any immediate increases in appropriations.

When its officers appeared before the House Appropriations Subcommittee to explain its financial needs for the next fiscal year, the FTC revealed it would like to look at advertising to discover its place in distribution—whether it is costing the consumer too much for the service it renders, and whether it sometimes renders consumers a disservice. The advertising angle would be part of an investigation of methods and cost of distribution, for which the House appropriated \$88,829 last month.

### No Attack on Advertising

Word is being passed around the FTC, however, that advertising has nothing to fear from the investigation and that nothing is farther from the mind of the FTC than an attack on advertising. All this is conceded when the right people in FTC are talked to. Not so readily conceded but equally true is the fact that the Commission wants to make Congress believe that it has something on its mind.

The investigation probably will be launched in due time, but its main object is to keep intact FTC's economic division which depends for its life blood on \$150,000 a year from Congress for investigations. Each year, FTC has to think up two projects and tell Congress all about them to preserve the \$150,000. Another project—this one to satisfy the President's two-year-old request for "information concerning the organization, business, conduct, practices, and management of corporations"—to cost \$61,000 has been approved by the House.

Lurking around the corner is the Schwartz-Martin "Truth in Fabrics" bill which has a good chance of passing despite the death of its House sponsor, Rep. John A. Martin of Colorado. The Schwartz bill, which would make exact

fiber declaration mandatory, passed the Senate last session and is now on the Speaker's desk in the House.

The Martin bill is on the House calendar, but no action is expected for at least two months. Retailers are moving heaven and earth to kill it.

### Tackling a Cause Célèbre



DR. THEODORE G. KLUMPP, chief of the Food & Drug Administration's drug division, is scheduled to lead the government's newest attack on Marmola, the reducing compound that can properly lay claim to the doubtful honor of having inspired more legislation designed to regulate the sale of foods and drugs than any other product. The Wheeler-Lea Act, giving the Federal Trade Commission power to prosecute products on false advertising charges, owes its existence almost entirely to Marmola, for in 1931 the Supreme Court held that the FTC could not force the Raladam Co. to change its claims for Marmola; said that under its old law the Commission had to prove injury to competition, not simple falsity of advertising. The move for a new law to remove that joker was initiated then. Now a second cease-and-desist order against Marmola, this one issued under the new FTC act, is pending in the Circuit Court of Appeals. In similar though less precise fashion, Marmola can also be credited with giving impetus to the new food and drug act, for the FDA also found that jokers in its old law made it impossible during a thirty year fight with Marmola to put a stop to the sale of the product. If the Raladam Co. fights Klumpp's charges it will initiate the first court test of the section in the new food and drug act banning the sale of dangerous drugs.

## Sears Aids Readers

**Thumb tabs provided to increase index users. Ward abandons two "front covers."**

ONLY 10% OF ALL mail-order catalog users turn to the index pages. The other 90% open the book at random, flip around in search of the merchandise desired, often tire before they find it.

A recent, closely guarded survey of mail shopping habits disclosed this to Sears, Roebuck & Co. Consequence is a thorough overhauling of its catalog make-up in the Spring 1940 edition. Merchandise pages are arranged in new order, and the backbone of the book carries a 49-line departmental index, where the customer can't help seeing it.

Bound just inside the front cover are a small instruction sheet and a perforated cardboard from which can be torn eight gummed index tabs, one for each major merchandise division of the line. By following instructions and devoting three and one-half minutes to the task, the customer can equip his catalog with staggered, projecting thumb-indexes per-

mitting him to turn instantly to a desired section. Each of the eight tabbed pages carries an internal index breaking down the section into small departments.

Big question now is: Will most customers stick in the tabs, or only the orderly folks who always used the main index?

Montgomery Ward's only radical change in format is a return to the conventional. In several territories last autumn the company experimented with putting the style-goods and hard-lines sections upside down in relation to each other, in order to have two "front covers" (BW—Jul29'39,p26). Enough customers kicked to cause the experiment to be abandoned.

Aside from physical alterations, neither Spring catalog contains startling changes. Prices trend upward, with an average 10% boost in some standard textile lines. But automobile tires and tubes of standard quality are generally down a few cents apiece for an average cut of about 2%. Ward sliced 12% off average prices of its top-line Supreme Quality tires, while Sears got rid of its bottom-line Argosy brand and limited its tire guaranties to tires in passenger car service.

Both books show more rotogravure and color pages than ever before. The artwork for the featured high-style lines is getting up to a level where a catalog shopper might momentarily believe herself looking at something put out by Bonwit Teller or Marshall Field.

## Chewing Gum



*New labeling requirements of the Food & Drug Act, and new "Keep Our City Clean" campaigns have left their mark on Beech Nut gum—for one. The Beech Nut label used to read: "Beech Nut gum is also made in Spearmint flavor," and, in a less conspicuous spot, "For convenience, save this wrapper and dispose of your gum in it after use." Beech Nut's new label elevates that cleanliness hint to a prominent position, tops it with a list of the ingredients of the gum. Wrigley sounds a similar cleanliness note in its car-card advertising.*

## Job for Old Tires

**Sears catalog points way to rubber-mounted implements at low cost, and trade wonders.**

EVER SINCE the implement industry shifted the farm tractor from steel wheels to rubber tires, it has been looking ahead to the time when all wheeled farm implements could be rubber-mounted. So has the tire industry, eager for this big new market.

Putting the tractor on air proved comparatively easy. It decreases the fuel consumption enough to pay for \$250 worth of tubes and tires in two or three years, leaving several years of useful life after that for the outfit. But implements are something else again. Many of these are used only a few days a year. Realists have been pointing out that excepting a few year-round machines such as manure spreaders on dairy farms, implements cannot stand the cost of pneumatic tires.

Last week the new Sears, Roebuck catalog made both the implement and the tire people sit up and take notice. Sears offers the New David Bradley Air-wheeled Hayloader on used automobile tires, for just \$2.05 more than the same loader would cost on studded steel wheels. The tires are 6.00x16, the size

## Shave on the Run



*Drop a coin in the slot and you get an electric shave and an ultra violet ray treatment from a machine Essco Mfg. Co., Salem, Mass., markets for use in hotels, terminals, etc.*

used on Fords, Chevrolets, and Plymouths. The catalog points out, "Tires of this size are available everywhere at low cost if you ever need to replace them."

Sprinkled through the Sears catalog are other references to 6.00x16 tires—for a mower, a hand cart, and for farm wagons and trailers. Not all of these adaptations are new. The hand cart, for instance, and steel wagon wheels taking that tire size were offered in Sears' Spring and Summer Catalog of 1939.

Last fall Sears demonstrated before a Grange meeting at Syracuse, N. Y., a machine equipped with drop-center rim wheels and rather seedy looking tires of the low-priced auto size. The farmers caught the idea immediately. The new Sears catalog carries the testimonial of Farmer Miksey of near Elgin, Ill.: "I put my truck on rubber for only \$7.50 by buying four used auto tires."

## Watch Farmers' Reaction

Because of the far-reaching implications of the trend charted, the trade was inclined to view Sears' catalog treatment of the subject as extremely cautious. The absence of fanfare caused speculation on whether Sears might be planning some more spectacular promotion by spring. Another view was that Sears, unwilling to go out on a limb, was waiting to find out what the farmers themselves have to say.

The next three or four months, mail-order inquiries should show how urgently farmers yearn for used tires on those implements which are employed only a few days a year. If interest among dirt farmers is brisk, it should take only this signal to get a long list of farm machines

equipped with drop-center rim wheels in this size. Then there should be tons and tons of tires removed a few weeks ahead of their last gasp from the Fords, Chevrolets, and Plymouths that park in a million American barnyards.

## Greenbelt Takes Over

**Consumers in model town now own co-op stores launched with Filene money.**

GREENBELT—the model community built three years ago on the Maryland outskirts of Washington by the government's Farm Security Administration, for workers earning between \$1,000 and \$2,000 a year—now runs its own shopping center. Ownership and management of its widely publicized cooperative enterprises passed last week from the Consumer Distribution Corp. to Greenbelt Consumer Services, Inc., an organization made up of 456 of Greenbelt's 885 householders.

The non-profit C.D.C., established by the late consumer-minded Edward A. Filene, put up \$50,000 in the fall of 1937 to launch a movie house and six stores—general merchandise, food and meat market, variety and drug store, barber shop and beauty parlor, cleaning and valet service, and service station. Like the rest of Greenbelt, they were built by the FSA, to which they pay total monthly rentals of \$1,100. The understanding was that C.D.C. would run them until the end of 1940 when the experiment was expected to have demonstrated its success. However, these stores, which work on the established cooperative principle of returning profits to consumers in the form of dividends in proportion to patronage, are now expected to show a final net profit of \$6,000 for 1939. So the switch in ownership is being made a year sooner than originally planned.

### Topping the Money Makers

Biggest money maker last year was the food store, which boasts an average weekly sales volume of over \$4,000 and an operating cost of 12.2% of sales. Only enterprise which failed to make money was the motion picture house; it turned in a \$50 deficit for the year.

Greenbelters point out that no effort has been made to discourage patronage of outside enterprises, most of which extend liberal credit to workers on government salaries, while all Greenbelt's business is on a cash-and-carry basis.

Greenbelt still owes the C.D.C. \$35,000 (\$10,000 of the \$50,000 originally put in was never used). The sum will be returned, at 4% interest, over an eight-year period. There is a provision, however, whereby the payments will never amount to over half the stores' net profit in any one year.



## GUILTY OF PERJURY!

You are on trial—every morning—in your customers' offices. You are testifying that the quality of your product is the highest, your service the best, and your prices right. The most important witness at the trial is your letterhead, conveying your message. Does this key witness belie the words you say by being of an inferior quality paper? Then you are guilty of perjury many times each day.

The character of your company is reflected in the quality of the paper in your letterhead. Neenah's fine rag content business papers pay their own way by adding dignity and prestige to your company in customer contacts. Your forms and office records, too, will last longer and perform better on a Neenah Ledger or Index.

Do this important job today. Write on your letterhead for Neenah's "Portfolio of Prize Letterheads" and "Portfolio of Practical Ledger and Index Forms." Then ask your printer or lithographer to recommend a Neenah paper for your use.

# NEENAH

Look for Neenah in the watermark

*Fine Rag Content Bonds, Ledgers,  
Index and Lightweight Papers*

**NEENAH** PAPER COMPANY, NEENAH, WISCONSIN



## 7 FINE TRAINS DAILY

# Florida

## AND THE SOUTH

### Expect More Than Just SPEED!

Expect a lot of *speed... smooth speed* ...but also expect *protected comfort* on Coast Line trains!

Coast Line gives you *your choice* of 7 Fine Trains Daily. Each thoroughly modern; air-conditioned and air-cooled. Each swiftly gliding over the *only double track route* between the *East and Florida*—with the added safety protection of automatic signals and train control.

Choose Pullman or coach accommodations exactly suited to your needs...a departure and arrival time that saves additional precious hours. For here is the greatest variety of train service ever offered Florida visitors. Fares are lowest. Consult your local ticket agent and make your reservations now.

The DOUBLE TRACK-SEA LEVEL Route

## ATLANTIC COAST LINE RAILROAD

Now... Copying is  
**EXACT and  
QUICK**



LETTERS MAPS  
CHARTS  
PHOTOGRAPHS  
DRAWINGS  
NEWSPAPER  
CLIPPINGS  
ADVERTISEMENTS  
DOCUMENTS

Anything that's  
written, drawn,  
typed, printed  
or photographed.

HUNTER Electro-COPYIST can help you do—not just one—but dozens of copying jobs quickly... efficiently... and economically! Different from any other copying process. Just slip the material you want copied into the machine, make contact, and in a jiffy you have a "photo exact" copy with all details perfectly reproduced. No lens... no focusing... no dark room. Anyone can operate it with a few minutes instruction.

### SAVE MONEY!

Hunter Electro-Copyist cannot make typographical errors... eliminates the need for proofreading. This new type copying machine is needed in every office. Write for complete details TODAY!

Hunter Electro-Copyist, Inc., Syracuse, N. Y.

## Hunter Electro COPYIST

WRITE  
NOW

## N.A.D.A. Shy of FTC

Federal control proposal is submitted to referendum after convention shows its hostility.

WASHINGTON (Business Week Bureau)—Opponents of government policing of automobile manufacturer-dealer relations believed they had won a victory when the National Automobile Dealers Association in convention here last week voted to submit proposed legislation (BW—Jan 20'40, p15) to a referendum of dealers throughout the country.

The bill drafted by the N.A.D.A. legislative committee, which would empower the Federal Trade Commission to rule contractual relations between makers and dealers, grew out of the FTC's report on the industry. The proposed legislation was strongly attacked and defended on the convention floor, but it was apparent that a majority of several hundred dealers present was skeptical concerning the wisdom of subjecting their business to federal control.

Lack of confidence in Rep. Wright Patman, who has offered to sponsor the bill in return for N.A.D.A. support of his chain store tax bill, was also evident. There was a lot of booing when the Texas Congressman spoke.

Donald R. Richberg, former NRA Administrator, threw his weight against the proposal to invite government intervention.

"If you invite political regulations to take the management of your business out of your hands, then I say with no irreverence—God help you!"

Said Mr. Richberg of any advocate of special legislation:

"While he may save his individual white shirt today, he is doing his part to put the government into the business of making black shirts and brown shirts which you will have to wear tomorrow."

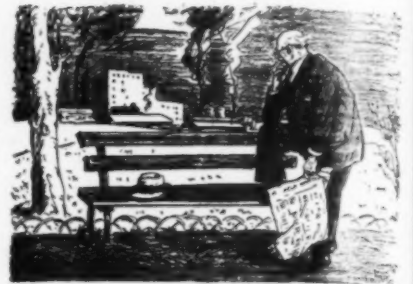
## Dairy Drive Mapped

New association planning a checkoff on butterfat to finance national advertising campaign.

A CHECKOFF on butterfat production to finance nation-wide advertising, and thus promote sales and consumption of dairy products, looms as a probable result of organization of the American Dairy Association in St. Paul this week. The goal is \$1,000,000 annually.

About 50 leaders in the industry from eight principal dairy states—Minnesota, Iowa, Wisconsin, North and South Dakota, Illinois, Washington, and California—were present. Organizations represented were: American Butter Institute, American Dry Milk Institute, Evaporated Milk Institute, International

## Simmons' "Sleeper"



### SHOULD INDUSTRY SCRAP ITS OLD MEN?

A question and an answer by Simmons Company

Q: Many companies publish annual reports to their employees—but not the Simmons Co. (mattresses). This year, though, Simmons decided to run a one-time, full-page ad in the Chicago Tribune instead. The ad ran during Chicago's big annual furniture show, immediately began drawing wires and letters—from customers, other companies' employees, the men in the street. Intended solely as a public relations and employee relations effort, the ad proved to have a sizable sales punch too, sold a number of mattresses. Now Simmons plans to run the ad in a national magazine.

Association of Ice Cream Manufacturers, International Association of Milk Dealers, National Co-operative Milk Federation, National Dairy Council, and National Association of Local Creameries. The association will be incorporated in Illinois, with headquarters in Chicago.

John Brandt, president of Land O' Lakes Creameries, Inc., Minneapolis, has been a prime mover in formation of the new body. Last fall he argued before the National Co-operative Milk Producers Federation that dairying is the only U. S. industry which has no method of controlling its surplus. Dairying, he said, was the chief sufferer from the surplus evil that plagues all agriculture.

Minnesota already has the checkoff in operation, 5¢ on each 1,000 lbs. of butterfat purchased, under voluntary contracts of the Dairy Industry Committee. Receivers of more than 85% of the butterfat produced in the state are under contract. The money goes into an adver-

tising fund, with the strict understanding that the promotion will be on a national basis. Iowa and Washington levy taxes on butterfat sales for the same purpose; Wisconsin failed by only one vote in its senate to enact similar legislation.

Participants in the new program will be allowed to raise their allotments by any method they choose. Undoubtedly the newly formed organization will take leaves from the books of the fruit growers of California and the citrus industry of Florida.

## MARKETING ANGLES

### Marriage Makes Market

THE MARKET FOR BABY FOODS and supplies will show a substantial increase during the next three to five years, says Dr. Donald A. Laird, director of the Ayer Foundation for Consumer Analysis. His calculation is based on the fact that the abnormal "wave" of children born after the World War is now reaching the child-bearing age.

"It is true," Dr. Laird says, "that with each successive decade there have been fewer births per thousand. But the current increase in persons of marriageable age should more than offset the decline in birth rate. As of 1940 there are some 12,000,000 persons between the ages of 20 and 24, and another 11,000,000 between the ages of 25 and 30. This is more than at any time in our national history."

### Owens Nickname, Too

MANUFACTURERS of a trademarked product also own its nickname or abbreviated name. So Federal District Judge Paul J. McCormick (Los Angeles) ruled last week in prohibiting the Los Angeles Brewing Co. from using "coke" in connection with sale or advertising of a beverage. The company has been selling "Eastside Cherry Coke" and the Coca-Cola Co. said the use of the word "coke" infringed its registered trade mark. "The public has used 'coke' synonymously with Coca-Cola," the court commented.

### New Chain Tax

LAST WEEK Kentucky's legislature enacted a new chain store tax to replace the one which the Kentucky Court of Appeals declared unconstitutional last March (BW—Mar 25 '39, p. 41). The old law, whose taxing classifications the court declared "unreasonable," provided for a tax sliding quickly from \$2 for single stores to \$300 for each unit of chains having more than 50 units within the state. The new bill imposes licenses which increase more slowly, with a top of \$200 for chains operating more than 500 units. But the classifications are now figured on the number of stores in the nation, not the state.



## When you select a crane— look for these hidden features

Any traveling crane you buy today will operate satisfactorily the first few years of its life. But after that, increased maintenance, breakdowns, and repairs soon reveal its weaknesses.

Whiting cranes have many hidden features that assure trouble-free performance without shutdowns or expensive maintenance. For example, Whiting cranes are equipped with precision-cut herringbone gears that



Herringbone Gears

operate smoothly, quietly, and efficiently—outlasting conventional spur gears at least two to one. They are furnished with heavy-duty, anti-friction roller bearings that cut power consumption, allow quicker pick-up, and require less attention than ordinary sleeve bearings.

Maintenance is further reduced on

Whiting cranes by flexible couplings that transmit motor power without binding, by tapered tread drive wheels that keep the crane bridge square on the runway, by rugged rotating-axle type bearings that keep the wheels true, and by many other hidden features.



Roller Bearings

Write for full information, Whiting Corporation, 15661 Lathrop Ave., Harvey, Ill. In Canada: Whiting Corp. (Canada) Ltd., Toronto.



### HOW TO WRITE a Traveling Crane Specification

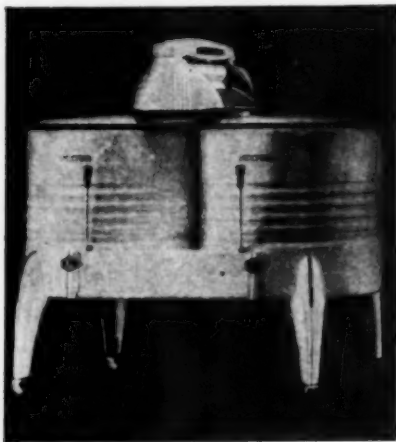
Tells how to order a crane to fit your needs. Mailed free to executives.

Builders of quality cranes for over 50 years

IT PAYS TO GET A QUOTATION ON  
**WHITING**  
OVERHEAD TRAVELING CRANES

## PAINT

*To the tub, no longer do  
the ladies say, "Rub-a-dub"*



It seems paradoxically appropriate that Iowa, a leading farming state, should also be the leader in the manufacture of washing machines. For while more washing machines go to urban than to rural districts, the washing machine is one of the greatest boons the farmer's wife has ever received.

The Dexter Company of Fairfield, Iowa, one of the leaders in washing machine manufacture, is an old customer of Sherwin-Williams. Recently Dexter's production division and our paint technicians decided that a change from one S-W product to another would improve the finish of an already beautiful washing machine.

The switch to S-W Kem Appliance Finish had to be carefully planned, for it called for the installation of a \$7,000 baking oven. That seven thousand dollars had to be a profitable investment. Here's a current report:

"There is a savings per completed unit, though not large. But rejections have been greatly reduced because of better adhesion, more gloss, more resistance to alkali and more permanency of color. This means a marked saving—also a more enthusiastic reception from salesmen and dealers. The Dexter Company is well satisfied that the change is a selling asset, as well as a cost-reducing factor in their production."

There is a moral to this story. Our new ideas go to old customers just as soon as can be. They go to our new customers too—no one is slighted. So, old or new, we'll be glad to hear from you, glad to try and help you to better sales through better finishes. No obligation—write to Sherwin-Williams Company, Cleveland, Ohio.

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WILLIAMS**  
**INDUSTRIAL FINISHES**



## PRODUCTION

PRODUCTS • PLANT • PROCESSES

### Moving the Earth

**New mammoths of digger, scraper, and crawler families are paraded for Road Builders.**

THE BASIC PROBLEM of road-building has never changed between the days of the Romans and America's automotive age. To build roads you must move earth—lots of it, and fast, if you wish, first, to get a contract and, second, to come out still owning your shirt. This week the American Road Builders' Association gathered in Chicago to chew over the current puzzlers of the highway construction industry.

But what drew most of the visitors—the estimates ran up to 40,000—was not the convention; rather it was the Road Show exhibit of super-colossal machines

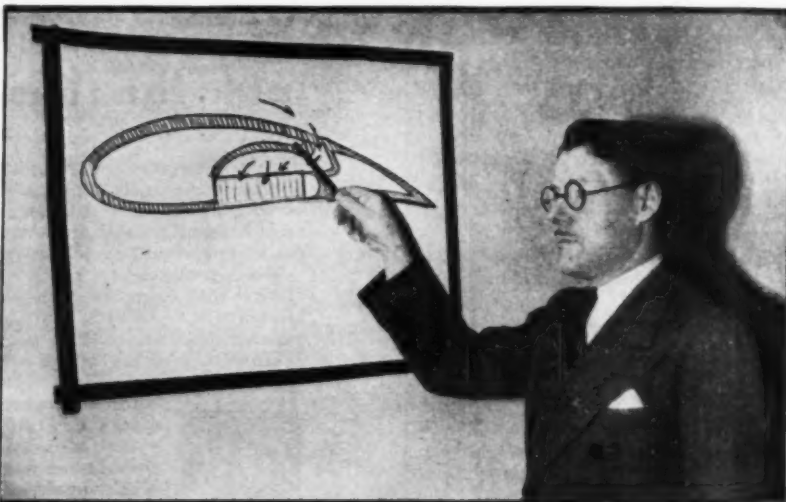
which help the contractor to move pay dirt fast.

From the high balcony of the stock yards amphitheater, the exhibition floor looked like nothing but a freehand reconstruction of the prehistoric world through which lumbered the tyrannosaur, the brontosaurus, and the sabor-toothed tiger. Their counterparts were the bulldozers and scrapers and crawler tractors.

Most spectacular exhibit was unquestionably the world's largest carryall scraper, built by R. G. Le Tourneau, Inc. Mounted on pneumatic tires 8½ ft. in diameter, 75 ft. long over all, and 15 ft. high, with a piled hauling capacity of 45 cu. ft., it drew gaping crowds including competitors who muttered, "It's too big to be practical."

Those who know the competitive currents of the road machinery industry

### Aeronautical Achievements



*Pictures Inc.*

At the annual meeting of the Institute of Aeronautical Sciences in New York last week, Dr. E. A. Stalker, head of the Dept. of Aeronautical Engineering at the University of Michigan, described a new invention to enable planes to land at slower speeds—thus cutting down the number of involuntary dives into landing fields which have accounted for more than half of all recent airplane fatalities. Reason for these dives has been loss of lift, due to the accumulation of "dead air" on top of the wing. The Stalker device sucks this air into the wing through a slot along the wing top, expels it through slots near the wing tip. Planes will be able to land at half their present

speeds. Of annual awards presented at the meeting—Donald Wills Douglas, president, Douglas Aircraft Co., got the Daniel Guggenheim Medal for 1939, for contributions to the design and construction of transport planes; other awards went to George Jackson Mead, vice-president and chief engineer, United Aircraft Corp., for development of high output aircraft engines; to Charles Maxwell Kearns, Jr., research engineer in the propellers division, United Aircraft Corp., for successfully measuring propeller vibration stresses in flight; to Edmund Turney Allen, chief test pilot, Boeing Aircraft Corp., for his contributions to methods and procedure in flight research.



found their best drama in the unveiling of new Diesel-powered track-type tractors by the industry's Big Four—for whatever else a contractor uses, he needs plenty of crawlers.

Caterpillar set its latest opus on a high platform for all comers to admire. Newly designed from exhaust stack to track tread, the big unit boasts assorted refinements for driver comfort and faster servicing. There are side seat cushions to ease the driver's legs when he looks back, lock attachments on the coupling controllable from the seat, replaceable wear plates on the towbar, and recessed bolt-heads to avoid damage from stray rocks.

#### For Maximum Pay Load

Allis-Chalmers' pride is its line of three new tractors with General Motors Diesels. One is claimed as the highest-powered tractor built, 108 drawbar-h.p., faster and lighter than anything near its size (*BW—Jan 6 '40, p. 17*). The two smaller machines are in the range where most road-building volume lies. These two, the maker says, are faster than is conventional, the speed made possible by weight savings through increased power output obtainable from a 2-cycle Diesel engine. Allis-Chalmers and General Motors engineers predicate their design on tests indicating that a big tractor seldom needs all its power and on the advantage of hauling a minimum of dead weight and a maximum pay load.

International Harvester Co. introduced three new Diesel crawlers to road-building society at its début luncheon on the show's first day. These range from the 80 drawbar-h.p. baby to a big fellow of 70 drawbar-h.p. This completes the redesign of the company's entire tractor lines within the year. Eight new industrial and farm tractors have come from its plants since last spring. The new Diesel units brag such features as replaceable cylinder sleeves, crankshafts hardened by the electrical induction method, and multiple disk steering clutches.

Cleveland Tractor Co. brought out no brand-new models for the show, stood pat on new lines developed during recent months. Prominent in its display was the large range of allied lines under the trade hook-ups just completed (*BW—Jan 27 '40, p. 36*) with plaid-kilted hostesses sitting at all the controls just to show they were part of the Cletrac tribe.

## Heat As You Wish It

Makers of units for warming, cooling, or cleaning the air are focusing on small homes.

PRACTICALLY every manufacturer's exhibit at the Sixth (biennial) International Heating and Ventilating Exposition, which held forth last week in Cleveland's Lakeside Hall, showed that

## Can your secretary . . .

organize affairs while you are away?  
ask timely questions?  
cooperate with her associates?  
give vigorous service day in and out?

EFFICIENCY, when it's an attribute of your secretary, means a smooth-running office, a minimum of interruptions, a minimum of instructions—in short, doubled or tripled efficiency for you. This book covers not only the necessary standard material of secretarial practice, but interprets in the large, and in detail, what the employer expects his secretary to do, to know, to be.

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By FRANCIS A. FAUNCE and FREDERICK G. NICHOLS  
601 pages, 6 x 9, illustrated, \$3.50

In this unique approach to secretarial training, the author gives a fresh, vigorous interpretation, taken directly from her own firsthand experience and observation as a successful secretary to leading executives. Here are the methods of procedure which the employer would like to lay out for his secretary, if he had time, together with hints which he might well give for her improvement, if criticism were not so delicate a matter. One employer said, "I would like to sit down with this book and check in the margin paragraphs full of information that my secretary needs to know but that I haven't known how to bring before her."

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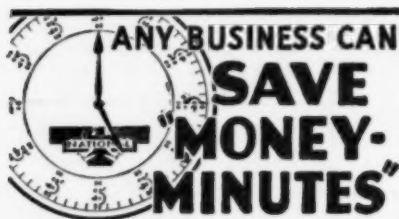
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PARTS FOR RADIO, ELECTRICAL,  
AUTOMOTIVE AND INDUSTRIAL FIELDS

the minds and eyes of over 250 producer-exhibitors are on the small-home field. Big units for air-conditioning factories and public buildings were there in plenty, but in most instances, those who exhibited such units were also removing the wraps of smaller units for small homes.

Hot-water heating is making a real comeback, but in a newly streamlined version. Several modern systems use pump circulation and higher water temperatures to reduce size and cost of piping and radiators. Most are of the "one-pipe" type with special fittings and valves to induce flow through the radiators and to produce stratification of warm and cool water in the main. In a typical set-up, a room thermostat controls the starting and stopping of the circulating pump, while an aquastat holds water temperature constant by regulating the operation of the oil burner, coal stoker, or other fuel-burning equipment.

#### Mass Market Exerts Influence

Two systems displayed for the first time feature continuous circulation with the water temperature controlled in accordance with the temperature out of doors. Here, an aquastat keeps the boiler water temperature constant, but necessary variations in the temperature of water for the radiators is achieved by mixing hot boiler water and cool return water automatically as directed by the outside thermostat.

Stimulation of building activity in the low-priced, small-home range is putting heavy pressure on manufacturers to produce equipment with the deluxe features of bigger units, but sized and priced for the mass market. Many makers showed new boiler-burner units and warm-air furnaces meeting these competitive specifications. Likewise, control manufacturers are succeeding in turning out more sensitive and attractive units at prices to bring full automatic operation within the reach of small-home owners.

Efforts to overcome the disadvantages of "on-off" operation, a characteristic of many automatic heating plants, took many forms. One oil burner of the vaporizing type operates at three burning rates. A gas-fired warm-air furnace includes a control to regulate gas flow in accordance with the temperature of return air. In another unit, a two-stage thermostat controls operation of a two-section gas burner and a two-speed fan, calculated to balance more closely the firing rate and the air supply with heat requirements.

#### Vapor System Boasts Efficiency

High efficiency is claimed for a radically different scheme of heating wherein the products of combustion plus additions of water vapor circulate through piping and radiators like so much steam. Briefly, the system consists of a gas-fired furnace which creates a hot gas-vapor at controlled temperatures. A

motor-driven exhaust unit sucks the gas-vapor through the radiators and out through a small vent pipe which takes the place of a conventional chimney. The maker claims that the diluting effect of the water vapor takes the bite out of the flue-destroying acids which are always a part of the products of combustion.

Attention focused on a new absorption refrigeration unit, using methylene chloride as refrigerant and dimethyl ether of tetra-ethylene glycol as solvent. Such a system can be operated on low-pressure steam (exhaust from prime movers, or district steam) or with oil, gas, or coal firing. Since a steam-generator is an integral part of the refrigeration unit, winter heating is simple. The makers believe that units of this type may bring true year-around air conditioning more economically to the residence field.

Attention focused likewise on an electrostatic air cleaner with moving oil screen to remove heavy particles and lighten the current load; a self-energized gas-burner control to operate with thermocouples and without an external source of electric power; new ventilating fans with slits in the blades to eliminate "dead center" caused by eddy currents of air; heat-absorbing window glass.

#### Green Field for A-C?

Pre-production models of versatile silage machine to be put on selected farms. )

THE EXPERIMENTAL FARM MACHINE for cutting, loading, and chopping green ensilage that Allis-Chalmers Mfg. Co. had out for agricultural college testing last summer (*BW—Oct 21 '39, p. 43*) has now reached the stage where 25 pre-production models are to be placed with selected farmers for use in the coming summer.

Pre-production models are standard practice in the farm implement industry, are customarily given exhaustive workouts if no competitor is snapping at the maker's heels.

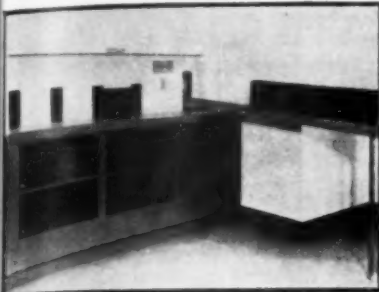
No announcement is scheduled for this season, however. A-C knows that any premature publicity would bring down on its head a flood of requests from farmers eager to get on the preferred list and angry if turned down. These semi-final models are usually sold, but the buyer can get a refund any time within a year. The farms chosen to use the 25 pioneer green-fodder machines will probably be situated close enough together, in one or two clumps, to permit close observation by development men who will ride herd on them all through haying season.

If the engineers can get the mechanical bugs out of the new item in time for mass-selling by the spring of 1944—and if no other manufacturer jumps the gun—Allis-Chalmers may well hit a jackpot, not even second to the one it hit with its baby tractor a couple of years ago.

## NEW PRODUCTS

### "Recordlift"

WHERE LARGE QUANTITIES of records, books, and papers must be transported from floor to floor, there is a place for



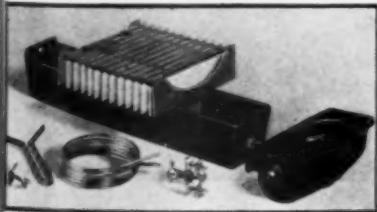
the Recordlift, developed by Standard Conveyor Co., North St. Paul, Minn. A typical installation for an insurance company reveals four openings in the wall for the transmission to four different floors of steel carriers containing policies, and an unloading station (right) for the receipt of similar containers. The Recordlift is also obtainable in a selective type with one small elevator serving several floors.

### Color-Fast Wall Paneling

SEVERAL YEARS BACK, the Wood Conversion Co., St. Paul, Minn., added "Nu-Wood," an insulating interior paneling with sound-absorbing qualities, to its Balsam-Wood line. Now the company is introducing Kolor-Fast Nu-Wood in plain and "variegated" tan colors which have proved virtually fade-proof in the Fade-O-Meter and under tropic sun. Nu-Wood comes in "tiles" and "planks" with special grooves and clips for wall-mounting.

### Air Humidifier

PRINCIPAL PARTS of the Viking Series 1100 Humidifier are a porcelain-enameled steel evaporating pan, a unique "top-seat" float valve, and twelve ceramic



evaporator plates with a total evaporating surface of 480 sq. in. Viking Air Conditioning Corp., 9500 Richmond Ave., S.E., Cleveland, designed it for installation in warm-air furnaces, air-conditioning ducts, plenum chambers.

### Belting Protector

SUNLIGHT AND AIR will deteriorate the covers of rubber conveyor belting more

when they are idle than when running. B. F. Goodrich Co., Akron, O., suggests, therefore, that when belts are likely to be "down" for any considerable time they be painted with the new Goodrich R-60-T Protective Coating, synthesized especially to forestall deterioration.

### Medical Magnet

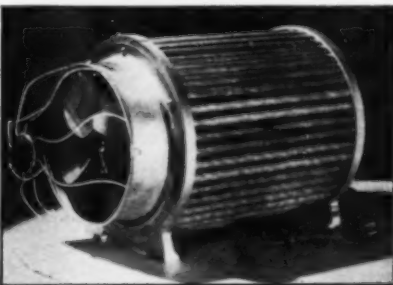
LIGHT ENOUGH to handle like a pencil, yet powerful enough to lift many times



its weight, the new G.E. Alnico Medical Magnet is designed to remove ferrous particles from eyes and surface wounds. General Electric Co., Schenectady, N. Y., makes it of sintered alnico, an alloy of aluminum, nickel, cobalt, iron, copper.

### Portable Odor Adsorber

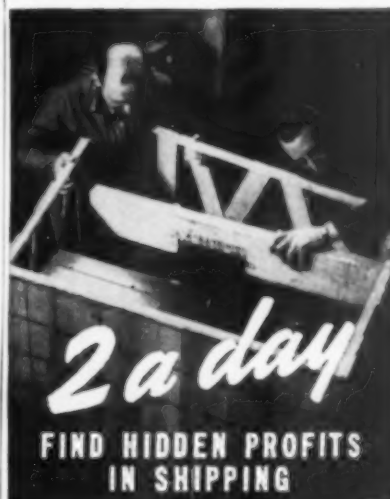
PLUGGED into any 110-volt electric outlet, the Dorex Odor Adsorber draws in odorous air only to release it odor-free. As designed by W. B. Connor Engineering Corp., 114 E. 32nd St., New York,



the device employs activated carbon, housed in a "squirrel cage" of perforated metal cylinders, like that used in the larger Dorex stationary units for installation in air-conditioning ducts.

### Truck Booster

WORKING much like the "booster" of a locomotive, the Clark Truck Booster Unit comes from Clark Equipment Co., Buchanan, Mich., to give auxiliary power to Chevrolet motor trucks. Its 45-hp. engine, mounted back of the driver's seat, starts automatically, boosts the main engine only when going gets tough.



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## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS • PERSONNEL • EXECUTIVE POLICY

### No One Nervous over G. M. Parleys

**Pre-election conferences begin at request of U.A.W., with Reuther (who "never had a strike") in driver's seat for union. Negotiations will involve 67 plants.**

GENERAL MOTORS and the United Automobile Workers were having conversations this week looking toward a new agreement on labor relations. Both sides were cautious, wary of prediction—both looked forward to perhaps two months of dickering. Neither expected a strike or other interruption of orderly automotive production.

Detroit, even with the recent 54-day Chrysler strike in mind, was not nervous. Since last fall, the U.A.W. has been roundly criticized from all points of the compass—and in particular by its parent body, C.I.O.—for the truculence and foolhardy demands which marked the Chrysler disturbance. And U.A.W. has settled back to a more conservative, thoughtful mien. G.M., has adopted an attitude of open-mindedness and has shown itself to be willing to sit down and talk at any time.

The talks will involve some 67 plants, and are important not only to the Detroit area but to Atlanta, Kansas City, New Jersey, California—any place where G.M. and its labor are at work. The National Labor Relations Board will play a part in the developments with employee elections which will decide whether the C.I.O. union has the tremendous majorities it claims in the plants.

#### **Wants G.M. Certified As Unit**

While waiting for the labor board to grant the elections (which had been asked by the company, the union, and its adversary, the United Automobile Workers of the A.F.L.), the C.I.O. group asked for conferences to "clarify" seniority and layoff provisions. These began last week, and are proceeding in orderly fashion.

After the employee elections, however, the really important talks will be held. U.A.W. is campaigning among its members, asking them to try to turn in 80% to 90% majorities at the polls. It will try to get NLRB to certify all of G.M. as a single unit, too. If this fails as observers expect it to (since the same request was denied at Chrysler), the C.I.O. still bids fair to overtop its A.F.L. opposition by heavy majorities in most plants. Close contests are seen in C.I.O. circles

as a possibility only in the plants at Kansas City, Baltimore, Norwood, Ohio, and Janesville, Wis. Neutral observers expect three or four more will be close, but are inclined to grant C.I.O. a clean sweep in the Detroit district.

When the parleys begin (probably sometime late in March) the U.A.W. plans to demand: exclusive recognition, the union shop (a variety of closed shop in which new employees must join the union after a short trial period), a guaranteed annual wage with 40 hours' pay on the present scale for a 30-hour week, the shop steward system of union direction in the plant, seniority provisions approaching perpetual standing, joint union-company study and affirmation of disputed work standards, vacations with

pay for all employees. A "maybe" arbitration by a third party of deadlocks which fail to be settled in routine manner. This was one of the suggestions which flopped badly at Chrysler.

General Motors management will take these up one by one and listen carefully, but G.M.—like all Detroit business—aware of the facts of industrial life. The union shop simply is not in the cards. At least not now on paper (there are contracts in Detroit which so muzzle the individual employee as to approach the closed shop, and there are side deals reached orally by management to go along with certain union practices, but that is another story).

#### **"Ask for Everything"—**

Furthermore, it is extremely doubtful that the annual wage, 25% cut in hours for the same pay, joint time-study, universal vacations with pay, and perpetual seniority will get anywhere. Probably the union leaders themselves realize this—but collective bargaining in Detroit is conducted on a basis of "ask for everything, compromise on what you can get." Wage raises in some classifications, perhaps even a general small increase probably can be gained by the union. Vacations with pay based on a percentage of annual earnings are possible (there is a strong trend in U.A.W. contracts with parts makers toward a 25% vacation bonus based on the previous

### Mr. Green Takes the Stand



*A.F.L. President William Green, before the House committee investigating the National Labor Relations Board last week, again presented his proposal for a new five-man board, and three other amendments to the Wagner Act. Blasting the "outrageous delays" of the present board, and accusing it of C.I.O. bias, Mr.*

*Green allowed that its members would have no more chance of being confirmed by the Senate now "than a snowball would remain in a hot place." Mr. Green here talks it over with the committee chairman, Rep. Howard Smith and Committee Counsel Edmund Toland during recess.*

year's wage). Seniority changes are likely to work around to restrictions, rather than expansion, of the tenure enjoyed by laid-off workers. The "steward" system is quite similar to G.M.'s "committeeman" system, but the corporation has been dead set against recognizing shop stewards in the past, and shows no signs of changing its mind.

### Strategy in Detroit Campaigns

Comparison of the U.A.W.'s contracts with Chrysler and General Motors indicates that little is necessary to make them practically alike. The U.A.W., however, is not one of the unions which try to get industry-wide standards accepted (as do the clothing workers and steel workers). Detroit campaigns invariably proceed along the line of trying to get each new agreement a little ahead of others, and the differences then can be used to build rivalry and union enthusiasm. Consequently it is reasonable to expect the G.M. negotiators to try hard to outdo the Chrysler committee.

The point is very important to the U.A.W. At Chrysler, Richard Frankenstein (a union vice-president) was directing negotiations, with President R. J. Thomas looking on as a conferee and adviser. Frankenstein lost considerable prestige as the Chrysler negotiations got nowhere for six weeks. Finally Philip Murray of C.I.O. came in from Pittsburgh and settled the row within 48 hours.

At G.M., Walter Reuther is in the driver's seat as U.A.W. director for the area. Reuther is a vice-president and a power in the union; ever since it started, he has been sponsored by a bloc for top command. His followers boast that "Reuther has never had a strike", and C.I.O. advisers Sidney Hillman and Murray like him, trust him, and predict he will go far. If the G.M. parleys go through smoothly and well, Reuther's star will rise—perhaps even high enough to carry him into the U.A.W. presidency some fine day.

The net result is that nobody expects "trouble" at G.M.

### Bridges Offers Peace

Submits formula which he says will end strikes that have long harassed the Coast.

HAS HARRY BRIDGES changed his tactics? That's what West Coast business was asking last week when the C.I.O. longshore leader, lately cleared of the Communist tag by the United States Department of Labor (BW—Jan 6 '40, p.39), offered employers an apparently simple formula for "permanent peace on the waterfront."

The astute Harry, who has shown signs of an aboutface since the end of the recent dock checkers' strike (BW—

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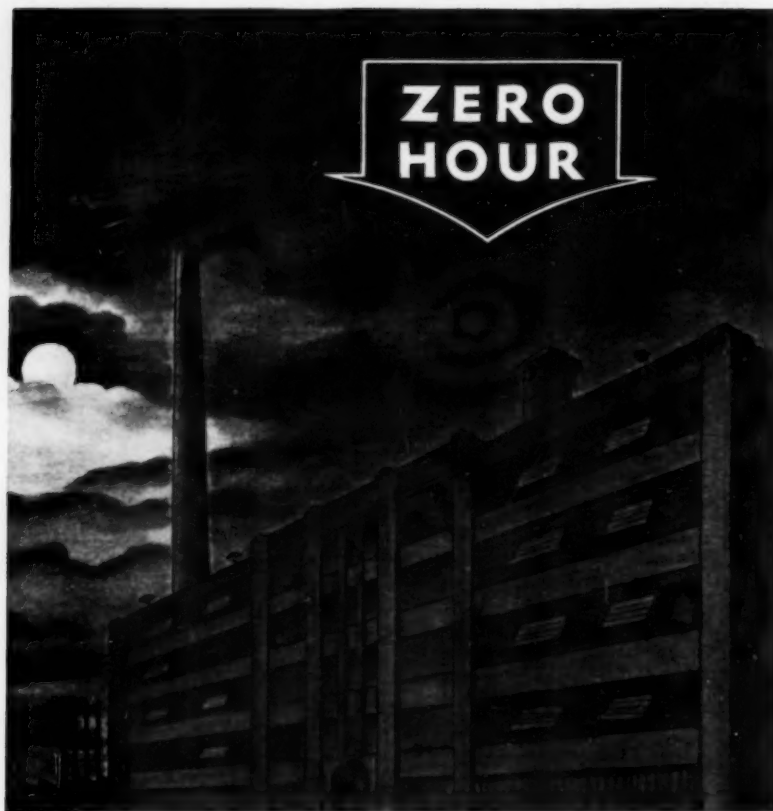
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Jan 6 '40, p. 41), suggests that an agreement guaranteeing "the fundamental conditions the men now enjoy" would end the strikes that have harassed Pacific Coast waterfronts for five years.

There's a catch but it isn't insurmountable. The "fundamental conditions the men now enjoy" include gains not written in the official contract between the longshoremen and the Waterfront Employers' Association of the Pacific Coast. The union has actual control of the hiring halls, though the contract calls for joint control. Closed shop conditions are in effect under an open shop agreement.

Officially, employers are allowed to select "preferred gangs" (of the most efficient men); actually, they don't. Either the unions or the employers would have to back up considerably under a permanent agreement such as Bridges suggests.

More significant than the outcome of Harry's proposal is the fact that he made it, according to West Coast business opinion. His every action since the end of the dock checkers' strike indicates a turning away from the militancy of the last five years to negotiation, conciliation, and arbitration. Oldtimers among labor leaders on the Coast figure maybe Harry is growing up.

### LABOR ANGLES

#### More "Independence"

CLOSE ON THE HEELS of the Endicott Johnson employee election, wherein 16,000 shoe workers voted down both C.I.O. and A.F.L. (*BW*—Jan 13 '40, p. 41), the two big union federations have taken another one on the chin. Some 15,000 employees of Consolidated Edison, big New York City utility, have voted to withdraw from A.F.L.—but not to go to C.I.O. They'll set up an independent union for themselves, they say. A.F.L. declines comment; C.I.O. spokesmen say the company is behind the move and ask for labor board investigation.











































#### What of the Future?

AN UNUSUAL BOOK has just come off the press, called "Organized Labor and Production—Next Steps in Industrial Democracy," written by Philip Murray, head of C.I.O.'s steel union, and Morris L. Cooke, management consultant who formerly was chairman of Rural Electrification Administration. The authors try to estimate just what collective bargainers can do to increase production and to meet the challenge of technological improvement in a dynamic industrial world. An accurate picture of the philosophies which guide Murray and the high command of C.I.O. is here given in full. Cooke weighs in with an expert analysis from the engineer's viewpoint. (Harper & Bros., New York, \$2.50.)



# THE BUSINESS ROUNDUP

1939 compared with 1938

PRODUCTION	%	TRADE	%	PRICES	%
 <b>STEEL</b> .....	+65	 <b>CHECK</b>		<b>WHOLESALE PRICES</b> .....	- 2
 <b>AUTOMOBILES</b> .....	+44	<b>TRANSACTIONS</b> .....	+ 4	 <b>Farm products</b> .....	- 5
<b>CONSTRUCTION:</b> .....	+11	<b>N. Y. C.</b> .....	+ 2	 <b>Food products</b> .....	- 4
 <b>Residential</b> .....	+35	 <b>LIFE INSURANCE</b>	- 3	 <b>Hides and leather</b> ...	+ 3
 <b>Non-Residential</b> .....	-10	<b>SALES</b> .....		 <b>Textiles</b> .....	+ 4
 <b>Public works and utilities</b> .....	+10	 <b>CEMENT SHIPMENTS</b>	+15	 <b>Building materials</b> ...	+0.4
 <b>LUMBER</b> .....	+17	 <b>PAINT, VARNISH, LACQUER SALES</b>	+13	 <b>Chemicals</b> .....	- 1
 <b>ELECTRIC POWER</b> .....	+12	<b>CARLOADINGS</b> .....	+12	 <b>Metals</b> .....	- 1
 <b>HARD COAL</b> .....	+10	 <b>Grain</b> .....	- 1	<b>Raw materials</b> .....	- 3
 <b>SOFT COAL</b> .....	+13	 <b>Livestock</b> .....	- 1	<b>Semi-Manufactures</b> .....	+ 2
 <b>PETROLEUM</b> .....	+ 4	 <b>Coal and coke</b> .....	+15	<b>Finished products</b> .....	- 2
<b>OIL WELLS DRILLED</b> .....	-0.4	 <b>Forest products</b> .....	+12	 <b>CONSTRUCTION COSTS</b> .....	-0.1
 <b>TEXTILE MILL CONSUMPTION</b>		 <b>Ore</b> .....	+91	 <b>DEPARTMENT STORE PRICES</b> .....	+0.2
<b>Cotton</b> .....	+25	 <b>L. C. L.</b> .....	+ 2	<b>COST OF LIVING</b> .....	- 1
<b>Silk</b> .....	- 7	 <b>Miscellaneous</b> .....	+14	 <b>Food</b> .....	- 3
<b>Wool</b> .....	+43	 <b>RETAIL TRADE</b>		 <b>Housing</b> .....	- 1
<b>Rayon</b> .....	+30	<b>Department store sales</b> .....	+ 5	 <b>Clothing</b> .....	- 3
 <b>CIGARETTES</b> .....	+ 5	<b>Variety sales (5¢-\$1)</b> .....	+ 4	<b>Fuel and light</b> .....	-0.4
 <b>CIGARS</b> .....	+ 3	<b>Rural sales</b> .....	+12	<b>Sundries</b> .....	- 1
<b>FACTORY EMPLOYMENT</b> .....	+ 8	 <b>HOUSEHOLD REFRIGERATOR SALES</b>	+51	<b>STOCK PRICES</b> .....	+ 5
 <b>FACTORY PAYROLLS</b> .....	+16	 <b>WASHING MACHINE SALES</b>	+26	<b>BOND PRICES</b> .....	+ 3
		 <b>OIL BURNER SHIPMENTS</b>	+56	 <b>FARM INCOME</b> .....	+ 4
		 <b>PASSENGER CAR SALES</b>	+40	 <b>DIVIDENDS</b> .....	+10
		 <b>TRUCK SALES</b> .....	+33		

Business Weeks Index of Business Activity +24%

preliminary

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## MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

### Traders Minimize '39 Earnings

**Despite gains in corporate incomes, many of them fairly spectacular, stocks still are beset by fears of foreign selling and business reaction.**

STOCKHOLDERS in American industry these days are getting some pretty handsome financial statements on the results of 1939, particularly on the gains which marked the final few months of the year. But the markets, as so often is the case, have been very little affected by items which are already largely history to the experienced trader.

Suppose United States Steel did earn almost seven times as much in the fourth quarter as it did in the third, and turn up with the best quarterly statement in more than two years. Suppose du Pont did report all-time record earnings of more than \$90,000,000 compared with \$50,100,000 in 1938. Suppose a score of companies which were among the first to report did show an aggregate gain of way over 100% in net income for 1939. Wall Streeters say simply: "That's all very nice. We expected such gains. But what are they going to do in the first quarter of 1940, and how much will they make for the year?"

Those who view the outlook constructively will reply that the margin of gain over a year ago is still very

striking even though the trend of business activity has been down pretty consistently since the turn of the year (the trend was down last year also until the middle of May). Steel activity is running 46.4% better than a year ago against 54.9% in the week ended Dec. 9. Electric power output last week was 11.9% higher than a year ago, against 11.5% in the early part of December. Automobile production last week ran 19.3% ahead of 1939, compared with a 14.7% gain over the preceding year some two months earlier (but here the gain must be carefully analyzed, since the seasonal pattern of automobile production was changed with the moving up of the auto show and was further thrown out by the Chrysler strike).

#### Piling Up Earnings

But the earnings are there, first for the record, and second as a basis from which to work in estimating first quarter prospects. The earnings of 19 industrial and mining companies totalled \$85,000,000 in the fourth quarter of last year against \$34,000,000 a year earlier. For

the full year, their gain also was in short of spectacular—\$200,000,000 against \$74,000,000 in 1938.

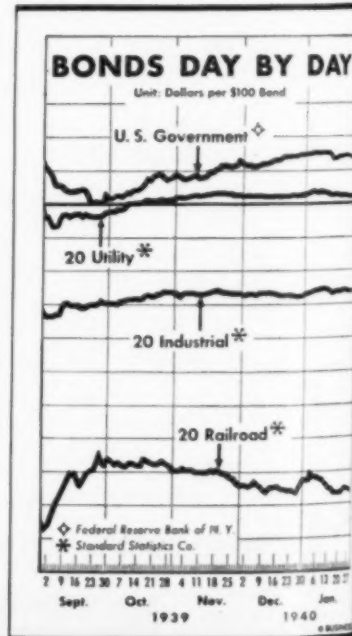
Despite the many fine showings, stock traders still are cautious about appearing this year's results. Moreover, the market continues to be restrained by the bugaboo of foreign selling.

Late but interesting Treasury figures show how much foreign selling there was through October. In the five weeks ended Nov. 1, the British liquidated balance \$48,000,000 of their American security holdings; during September they had sold another \$25,000,000 worth. French holdings on Nov. 1 were virtually unchanged.

Reports from two companies—U. S. Steel and American Tel. & Tel.—in the story of foreign selling more new up to date. Total foreign holdings of U. S. Steel declined 94,876 shares (or 11% in the last three months of the year) 70,996 shares of which were for British account. In the final four months, foreign holdings of Telephone fell 4%.

#### Precedent in Securities Fight?

Another chapter in the wrangle of competitive bidding for new securities issues was written this week when the Interstate Commerce Commission proved without comment the offering of \$60,000,000 of Louisville & Nashville bonds. (BW—Jan 6 '40, p. 17) The issue was floated by Morgan Stanley & Co. subject to ICC approval after the commission had been importuned from various quarters to intervene, and Wall Street felt the final okay was at least a minor precedent in favor of traditional relationships between investment bankers and clients. But the Securities Exchange Commission rather than the ICC will have the last word in the



## Brighter Reports

**Life insurance companies seek to improve public relations through annual statements.**

LIFE INSURANCE companies are keenly alive to the benefits of healthy public relations in these days of threatened federal regulation. As a starter, they are undertaking to issue annual reports this year which are a far cry from the familiar four-page folders of dry and none-too-enlightening statistics.

The change appears to have derived distinct impetus from a study by the Institute of Life Insurance, embodied in a 30-page booklet. The Institute took a look at industrial experience and then analyzed life companies' past practice. It undertook to make its own printed report show with color, graphs, pictures, and figures just how a popular job might be done and the results it might hope to attain.

The insurance and financial press last week indicated that it had noticed something new when it devoted considerable space to the statement of Massachusetts Mutual.

Incidentally, New York papers cooked up an insurance "mystery" late last week. They reported Metropolitan Life had taken a suite at the Waldorf-Astoria and that those in the rooms refused to tell why. The fact is that a group of life executives have been meeting there for some time to compile a brief which they hope to introduce into the Temporary National Economic Committee records in an effort to correct false impressions which they believe have been created by earlier testimony.

## FINANCIAL ANGLES

### Merger in Wall Street

THIS WEEK, three Wall Street houses—one the big commission house of E. A. Pierce & Co., and the other two the underwriting firms of Merrill Lynch & Co. and Cassatt & Co.—announced their consolidation into a single firm, and Wall Street had its biggest merger news in two years. In 1930, Pierce acquired the brokerage commission business of Merrill Lynch; in 1935, that of Cassatt & Co. Meanwhile the Merrill Lynch and Cassatt names have figured only in investment banking.

The new firm of Merrill Lynch, E. A. Pierce & Cassatt will engage in both underwriting and brokerage. Charles E. Merrill, inactive in the securities business since 1929, comes back to an active part in Wall Street affairs with the merger. He takes his place as a senior partner with E. A. Pierce, a leader in the successful four-year drive, from 1935-38,

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for reform of the New York Stock Exchange along lines desired by the SEC.

Whether the new firm may segregate capital used in underwriting from that in the brokerage business probably will depend upon the result of studies now being made by a special stock exchange committee headed by Paul Shields.

### Bonner Heads Dealers

FOR FOUR YEARS after the demise of the Blue Eagle, investment dealers moved laboriously toward some substitute for the defunct fair-practice code that had been set up. The Securities and Exchange Commission, anxious to facilitate this effort at self-regulation, cooperated with the dealers' group, the Investment Bankers Conference, in securing the passage of permissive legislation. And last year the National Association of Securities Dealers was born.

In this four-year struggle, B. Howell Griswold, Jr., of Baltimore and Francis A. (Frank) Bonner of Chicago were among the leaders. Last week, as the N.A.S.D. started actively about the job of regulating which it has set for itself, Mr. Griswold stepped down from the chairmanship he had held so long and Mr. Bonner was elected in his place. Mr. Bonner was active in promulgating the code under NRA and for a considerable period in 1938 left his own business to be special adviser to the SEC in guiding the legislation which led to the N.A.S.D.

### Reaction in Metals

REFLECTING the cooling off in business activity (and more especially, the easiness in other non-ferrous metals), lead this week slipped  $\frac{3}{4}$ ¢ a lb. to a price of  $5\frac{1}{4}$ ¢ a lb., delivered, New York. The reduction comes at a time when lead is in a favorable statistical position, with consumption averaging 40,000 to 45,000 tons a month and with stocks at the year end only 58,777 tons (against 115,902 tons a year ago).

Copper last week was reduced from  $12\frac{3}{4}$ ¢ to  $12\frac{1}{4}$ ¢ a lb. in two successive cuts (BW—Jan 27 '40, p. 54), and this week custom smelters offered the metal for as low as  $11\frac{1}{4}$ ¢ a lb. Tin recovered a little this week from the recent low of  $45\frac{1}{4}$ ¢ a lb., primarily on rumors that the international tin committee, at its next quarterly meeting, might cut cartel members' shipping quotas for the second quarter substantially from the present 120% of standard tonnages.

### Checking the Price Rise

INDICATIONS of how the government intends to try to keep prices in line have been plentiful lately. The Temporary National Economic Committee's hearings on copper appear to have had nothing to do with the decline in the metal's price, but they didn't make it any easier to arrest the fall. And now TNEC has issued a fairly pointed statement on prices of bread, mercury, and fuel oil.

## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### Nazi Oil Victory?

**Berlin sees appointment of dictator in Rumanian fields as a score for Reich in economic war.**

BERLIN (Cable)—Seven years ago Hitler became Chancellor of Germany. The anniversary week was a lull in a dull war and speculations over the economic future of Europe—"when Germany wins the war"—were national news. A major economic battle, the fight for Rumanian oil, swept on unchecked; Italian sources expressed their satisfaction with Germany's attempts to negotiate for oil rather than take it by "more direct means," such as military occupation.

Berlin interprets the appointment of a dictator for the Rumanian oil fields as a score for Germany and expects him to get the oil Germany demands—even if he has to take it from the French, English, and neutral companies which control about 80% of Rumania's oil production.

The report that the East Galician oil fields, which border on Rumania and were taken over from the Poles by the Russians, have been occupied by German troops was officially denied. The denial came long after the threat of German soldiers on that border had had its effect on Rumanians negotiating with Berlin. Some form of Russo-German exploitation of the Polish fields, particularly German technical assistance to the Russians, is still considered possible.

Notwithstanding Germany's theoretical surplus of coal for export, the freeze-

up and transportation congestion have seriously obstructed shipments to neutral neighbors. The *Frankfurter Zeitung* reports that Switzerland is negotiating a coal purchase from the United States which, if consummated, will be the largest American coal transaction with a European country since the war began. German coal exports to Holland have virtually stopped since German gondola cars are not available and the Dutch cannot supply their own. Italy is freely buying sea-borne coal from England.

Hitler's Germany is now about 63% larger than it was before the annexation of Austria or the Sudetenland and the population has increased approximately 45%. Germany's area was 182,399 sq. mi. and its population was 69,339,770. The series of bloodless conquests and the partition of Poland have increased the Reich's area to more than 300,000 sq. mi. and increased the population to more than 100,000,000.

### Reds Set New Goals

**Production norm upped 35% in general machine industry, 21% in shipbuilding.**

MOSCOW (Cable)—While new battles rage over the roads leading into Finland, Russian officials still keep quiet about the progress of their military expeditions and concentrate instead on preparing the Soviet Union for any eventuality—in view of the grave international situation.

The upward revision of production

### No Book—No Bacon



Though there may be enough to go around, no one gets more than his due share of bacon under England's

rationing system. Butchers have scissors as well as knives now, to snip a coupon for every sale.

British Press Committee

norms, announced last week (BW—Jan 27'40, p60), highlights the drastic steps Moscow is taking on the home front. Russians in the general machine building industry will be expected to turn out 35% more finished goods than scheduled in the fourth year of the third five-year plan; the norm in the heavy machine building industry has been upped 25%, in shipbuilding 21%.

Numerous workers' meetings are being held and the newspapers daily print the resolutions which they make approving the revisions, promising to fulfill the new quotas. Commissar for Defense Voroshilov has coined a slogan for the railway workers: "Transport must prepare for war with the same urgency as the army." Railroad employees are being trained to camouflage stations, junctions, and trains. They are also being taught chemical defense and anti-aircraft technique—all on their own time, after work hours.

## War Hits Hollywood

Foreign business losses so serious that craftsmen may get 10% wage reduction.

THE WAR is beginning to cut seriously into the income of the movie industry, so seriously, in fact, that the 15,000 craftsmen employed in Hollywood who received a 10% wage increase last summer may have it reduced or taken away when the union contracts come up for renewal in mid-February.

Normally the industry gets nearly 40% of its income from foreign business. England is the big market and in peace time accounts for nearly half of the foreign income. With the blackouts and the closing of the movies during the first war month, September gross from England dropped to almost nothing. Gradual lifting of restrictions since then has eased the situation, but Hollywood declares that its gross from the British business is still less than half what it would be in normal times.

This explains why Hollywood statisticians are busy with pencil and slide rule this week. They are weighing the merits of trying to balance budgets by (1) wage cuts or (2) by boosting admissions, directly and also indirectly through increased exhibition fees, in the United States to make up for the slump in income from abroad.

## British Limit Dollar Exchange

So far during the war, foreign exchange problems have been more of a worry to executives than the forced closing of theaters in the war zones. The British, for instance, are allowing the film companies to transfer only about half of their gross into dollar exchange. With movie attendance considerably below prewar levels, this means that income from Great Britain is off more



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## WHAT'S IN BUSINESS WEEK

### POLITICS?

Yes—but from the business angle.

### SCIENCE?

Yes—but from the business angle.

### WAR NEWS?

Yes—but from the business angle.

than 50%. This is subject to sudden change because intensification of the fighting in the West might again close the movies, or tightening of the foreign exchange restrictions might reduce further the portion of income which the companies are allowed to transfer to the United States. This accounts for Paramount's announcement this week that it will resume production of pictures in England, utilizing blocked funds to cover costs.

New Zealand and Australia, both good markets for American films, also have restrictions on the transfer of foreign exchange. The situation in New Zealand has become particularly tight lately. Canada still allows the film companies to move a part of the gross from Canadian showings but all dealings are subject to the Dominion government's foreign exchange control.

Hollywood export authorities declare that not a cent of picture revenue has been allowed out of Japan in the last two years. Funds blocked in Tokyo don't even accumulate interest. The German, Polish, and Czechoslovakian markets were given up completely last August. All major companies withdrew from Italy (and colonies) early last year rather than sell on terms dictated by the government film monopoly, but apparently the opposition to the Mussolini market isn't very solid for Hollywood heard reports last week that United Artists has been carrying on negotiations recently with two distributors in Rome.

### Handicapped by New Rules

There are many other problems confronting movie export executives. New amusement taxes have hit the business in many countries. No more than 300 persons are allowed in a theater in France under wartime regulations.

Britain is the only country equipped to make good reproductions of technical negatives so many more copies of "Gone With The Wind" will need to be shipped from New York than had been originally planned for European showings. With wartime shipping hazards, this becomes quite a problem.

## British Co-ops Hit

**War order by Petroleum Board bans distribution of dividends from sale of oil products.**

THE WAR HAS STRUCK AN unexpected blow at cooperative societies in Great Britain. An ultimatum has been handed down by the government-appointed Petroleum Board, which controls distribution and fixes prices of oil in wartime England, prohibiting cooperatives from paying dividends on sales of petroleum products.

In Britain, the oil cooperatives, together with those large cooperatives

which handle almost all kinds of business, distribute just slightly less than 10% of the country's petroleum products. They have maintained the standard market price for these products but, at regular intervals, paid a dividend representing the difference between the cost of the oil and the selling price, minus operating and distribution costs. The new ruling from the Petroleum Board, which is composed of private oil company members which handle the bulk of the business in Britain, puts an end to the distribution of dividends as long as the war lasts.

### No Time for Defiance

How the co-ops will meet the ultimatum is still problematical. If they continue to sell gas and oil, hoarding the profits until wartime restrictions are abolished, the societies whose dealings are largely in petroleum products will undoubtedly suffer losses in members. The large general co-ops like the Derby and Nottingham societies will probably continue to sell gas and oil, impounding the profits on only these two items in anticipation of a big "extra" dividend sometime after the war.

Years ago a similar situation presented itself to British co-ops. A large radio manufacturer whose products were being distributed through co-ops laid down the ultimatum that no dividends should be distributed to members of cooperatives from sales of radios, otherwise the supply would be cut off. English co-ops answered by organizing a radio factory to produce a set named, appropriately, "Defiance."

War conditions probably preclude any such defiant action now by the cooperatives, though some co-op executives believe that the societies will try to utilize their accumulated profits on oil sales to strengthen their position in the business.

### Weigh Anglo-American Setup

Heads of the larger English co-ops are now discussing a proposal made in 1937 by Howard Cowden, president of Consumers Cooperative Association, North Kansas City, Mo., in an address before a special meeting of the International Cooperative Wholesale Society at Paris. Cowden, whose own association will shortly begin operation of the world's first co-op oil refinery (page 20), urged national cooperatives in other countries to unite with co-ops in the United States to enter the petroleum business in all of its phases—production, pipe line transportation, refining, and distribution.

Co-op enthusiasts in the United States are watching the present development in England with special interest. They recall the effort made by the private oil companies during the days of the NRA codes to force cooperatives in the United States to give up their dividend policy. They lost their battle in this country, and oil co-ops continue to grow.



## WAR BUSINESS

REGULATIONS • WAR ORDERS • TRADE CONDITIONS

### Canada's Crisis Hinges on Trade

**Progress of war business to be moot issue in general election of Mar. 26, with Mackenzie King's foes pointing to loss of big orders to United States.**

CANADIAN PARLIAMENTARIANS from far-away Vancouver and Halifax assembled in Ottawa a week ago for the opening of the regular winter session of Parliament, listened to the customary speech from the throne, and then, surprised and a little confused, saw the session terminated after only three hours, making it the shortest in Canadian history. A gen-

eral election has been called for Mar. 26.

The reason for the precipitate action is growing dissatisfaction, mainly in Ontario, over the progress of war business. Doughty Prime Minister "Mitch" Hepburn openly challenged the federal government's policies in the provincial legislature a few weeks ago. Premier Mackenzie King decided to call a quick

federal election so that (1) the opposition would have little time to "sell" its case to the public, and (2) whatever government is elected on Mar. 26 can settle down to business quickly before any possible spring activity in Europe makes Canada's war aid urgent.

Despite the fact that Canada has turned out very few war materials in the five months since the outbreak of hostilities, political analysts in the Dominion believe that the Mackenzie King government has a better than even chance to be re-elected. They point to increasing business activity (see chart), record factory employment, better demand and higher prices for major farm products, and the desire of many voters not to "change horses in the middle of the stream."

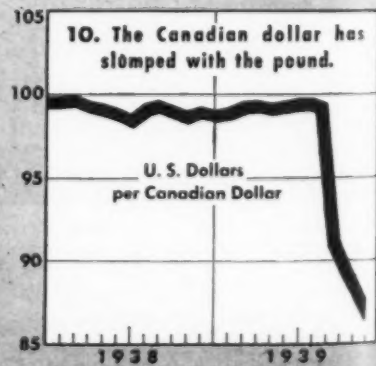
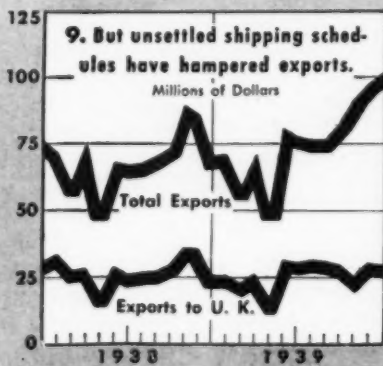
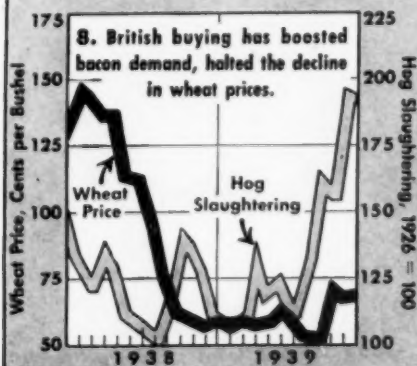
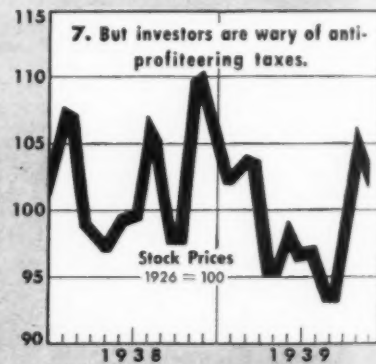
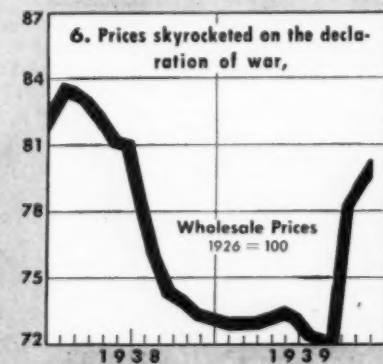
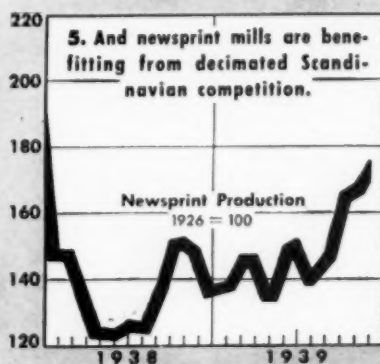
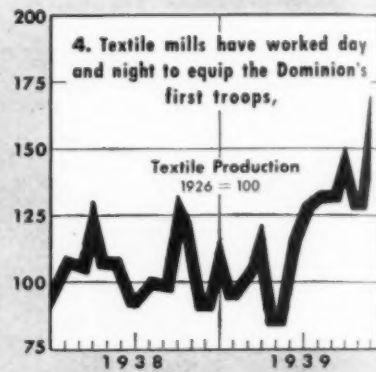
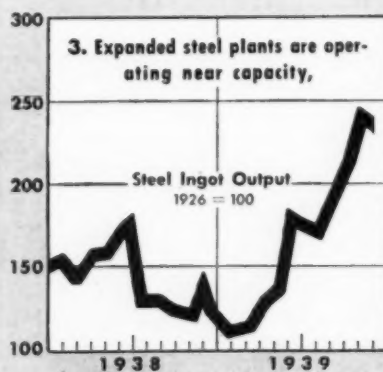
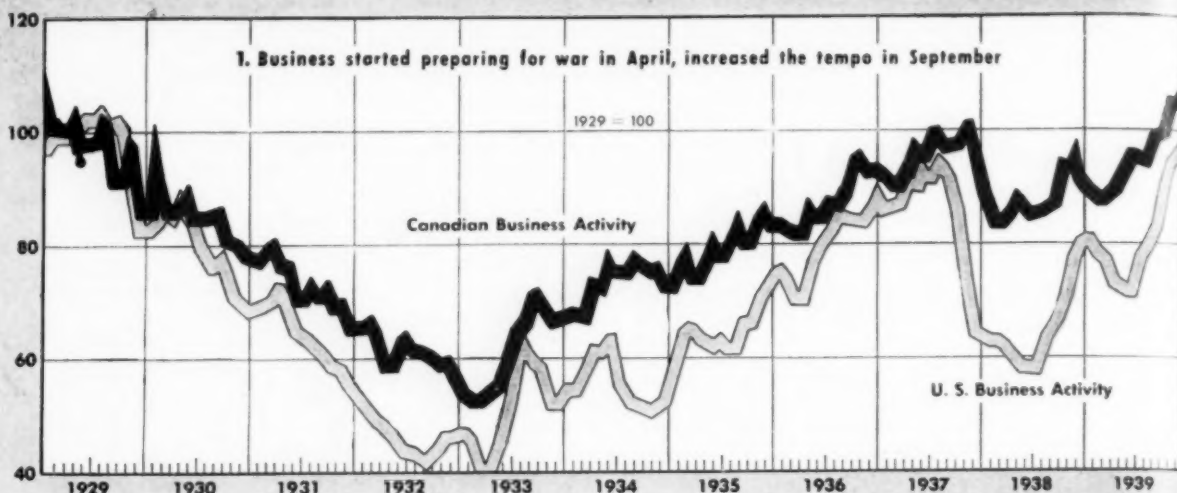
The opposition will protest that Canada is still buying more airplanes from Britain than it is able to supply London as a part of the Dominion's war contribution. It will protest that the British and French buying missions are placing big orders in the United States which



Canada's War Supply Board headquarters, a two-story frame structure, stands out unimpressively on Ottawa's Westminster St., lined with imposing Parliament buildings. The building cost \$123,000, has 200 offices, houses 225 employees of the Canadian buying staff, 60 on the British staff, which occupies one of

three wings in the rear. Though every order executed in Canada (for either Britain or Canada) passes through this office, there is no sign of pomp or circumstance—as evidenced in the reception room (left), the office of Col. J. H. M. Greenly (right), who heads all British buying in North America.

# HOW CANADIAN BUSINESS HAS BEEN AFFECTED BY THE WAR



Data: Dominion Bureau of Statistics.

© BUSINESS WEEK

might have gone to Canadian companies if the government had stepped in and by vigorous action forced the quick conversion of many plants to handle the special requirements of the military authorities in Paris and London.

Actually, while Canada probably was unduly shy long before the outbreak of war in accepting suggestions from London that the Dominion tool up certain industries and provide adequate credit to handle a share of the large-scale war preparations initiated in 1937, the Dominion has made sound progress since last summer. Ottawa has spent \$100,000,000 on the war in five months, or about \$750,000 a day. Compared with Britain's estimated \$28,000,000 a day, or France's \$18,000,000, this is small. But Canada is speeding up war business, and purchases may reach \$400,000,000 for the first war year ending in August—more than \$1,000,000 a day.

### Where the Money's Spent

The \$100,000,000 spent so far has gone to equip the first army division, which has already been sent overseas; to outfit Canada's comparatively small naval units; to cover the cost of the 593 planes that have been ordered in the United States, the 873 planes from England, the 1,600 plane engines already on order in Britain, and the 1,282 plane fuselages already ordered at home. The fund also has been used for shells and guns, ordered in conjunction with the British from Dominion factories, and the small naval vessels, already ordered or on which bids have been made.

Though the most striking developments have been in the field of aviation, Canada has produced almost no complete planes. The first of 90 heavy bombers ordered by Britain before the war and built on British design have just been completed; the engines were imported. In test flights the planes easily met army requirements, and a second order was placed early in January for about an equal number. The Canadian Car & Foundry Co. is also building 60 Hawker Hurricane planes, the first of which were successfully tested in December.

### Making Dominion Air-Minded

But Canada's plane industry is still small. Associated Aircraft—a group of six companies which produce parts later assembled in two new \$1,000,000 plants near Montreal and Toronto—is best equipped for ultimate mass production. Several other companies can make fuselages and one or two have turned out a few engines, but it would require at least another year of intensive effort to make the Dominion an important mass producer.

A boost to Canada's air-mindedness is likely to come next summer when the vast empire pilot-training scheme gets into full swing. Even in its restricted form, the project calls for a large number

of trainer planes, a large ground personnel, and youngsters who will be trained by the thousands to become pilots.

Only modest orders have been placed so far for guns and ammunition. The great French arms firm of Schneider-Creusot is reorganizing and enlarging the plant of Maritime Industries at Sorel and expects to make it one of the biggest munitions factories in Canada. This is the only important instance where French capital has been invested in Canada to enlarge a factory to insure adequate supplies of war materials (in contrast with several large French contracts in the United States). So far, the only important British investment in plant is in a special extension of National Steel Car to produce shells. Other shell orders have been placed with Massey-Harris, Babcock & Wilcox, Dominion Engineering Co., and the Robert Mitchell Co.

Shipyards are beginning to benefit from war business. Orders have already been placed for 46 anti-submarine boats carrying anti-aircraft guns, with deliveries scheduled to begin in October. These orders have been distributed among Canada Steamship Lines, Ltd., Canadian Vickers Co., Maritime Industries, Morton Engineering Co. of Quebec, George P. Davis & Son of Levis, and St. John Drydock Co. Tenders have been asked for Feb. 7 on 28 mine sweepers. Orders will also be placed soon for \$300,000 of motor boats and barges. There are no signs yet that the Dominion will build 6,000- and 8,000-ton cargo boats, though three or four yards are equipped to handle vessels of this size.

### War Brings Profit to Textiles

Beyond this, Dominion war preparations have kept textile mills operating near capacity all fall and boosted activity in the railroad repair shops following the granting of a government loan of \$25,000,000 to put the railroads in shape to handle a bulge of war business.

British buying is behind the soaring hog slaughtering program (see chart) and the growing demand for wheat which lifted the price above the 70¢ level guaranteed farmers by the Dominion government. Canadians expect British war buying during the first war year to be only \$60,000,000 to \$160,000,000 more than peace-time buying in 1938.

After five months of war Canadian business, outside the aviation industry, shows few signs of change to a war economy. Many industries have had small orders from the War Supply Board and many have modernized their plants in anticipation of big government orders in 1940. But only a few are working mainly on war business. Object of the Mackenzie King government in the next seven weeks of electioneering will be to show that the country has done all that the situation demands and that the organization is now ready to handle really big orders whenever they materialize.

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50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
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## Quicksilver Soars

American market thrown into confusion by manipulations of international cartel.

LAST WEEK the price of one flask, or 76 lb., of quicksilver was arbitrarily boosted from \$150 to \$200 in London. The American market, which had been fluctuating between \$153 and \$156, was thrown into confusion. Some dealers were selling for \$170, some were holding out for \$175; the group as a whole was undecided about following London's lead.

Back of international manipulation was a smooth-working cartel which practically considers the London market a branch office. About 45% of the world's yearly output of mercury (125,715 flasks in 1938, excluding Spanish wartime production) comes from mines in Italy and Spain. The United States ordinarily produces another 15%.

The Italian and Spanish mines are the richest deposits in the world and production costs run from \$30 to \$40 a flask. Since the cost of production in the United States is figured normally at around \$65 a flask, all that keeps American mines running against the foreign competition in depression periods is a \$19 per flask tariff.

### Raising the Ante

The Italo-Spanish mines are government-controlled and united in a monopoly. First intimation that traders had of strong-arm economic methods by the cartel came shortly after the outbreak of the war, when mercury was selling here for \$80. Before the end of September, the price had been bid up to \$170 and it has not dropped below \$130 since then. Market experts say neither increase in actual consumption nor the possibility of shortage accounts for the price rise. They feel that European money, put up by the cartel, was behind the recent domestic price advance. The explanation is that the United States, which represents the largest share of world production outside the cartel, is too large a source of supply to be ignored by a group interested in raising the ante.

Mercury is a strategic material because about 15% of production is used to make detonators for ammunition. The larger share of the market represents industrial users of mercury but, in recent years, the peace-time outlets for mercury have not expanded.

There are two critical points in the price of quicksilver that are useful in analysis of the American market. When the price hits \$100 a flask, domestic mines approach capacity production (about 30,000 flasks a year); at \$130 a flask, some industrial users of mercury begin to turn to substitutes. Both critical points have been exceeded since the war began.

## THE TRADING POST

### Year-End Jitters

THE OTHER DAY I sat visiting in the office of an Atlanta corporation executive. The telephone rang, he answered, and in the course of the ensuing conversation I heard him say:

"No, sorry, I have nothing for you. We don't want to focus the eyes of our entire organization on that meeting."

When he had hung up he turned back to me and remarked:

"The newspapers. They want a story about our annual meeting."

That left me a bit puzzled. Most corporations these days seem to be courting such publicity. So I asked how come.

"Well," he explained, "we try to avoid high-lighting our annual meeting. We don't want our people to get in the habit of watching for things to happen at that time. I know a lot of companies make a practice of electing new officers, approving promotions and raises and all that sort of thing at the annual meeting. Then once that's 'gone with the wind', there's a slump in morale. Nothing to expect for another year. Not so good."

"So we make our annual meeting just as routine as we can. Just another meeting. Do what the law requires, have no ballyhoo, take it in our stride. We make it a point to elect new officers, announce promotions, and make other important moves at other times—any other time throughout the year. Then nobody ever knows what's brewing or when the lightning may strike."

"So everyone is on his toes all the time: there are no year-end jitters and no morning-after slump once the news is out. With our people opportunity is a year-round buddy, not just a Santa Claus who calls once a year and then goes back to the North Pole until next year. We know it works because we've tried it both ways."

### Sorry!

AN EAGLE-EYED READER snaps us up as follows:

"In your Jan. 20 issue, on page 26, you show a chart that compares the trend of the last three years in railroad car loadings and truck loadings. I guess the chart is okay but the text under it says that 'all told, the rails carry about 60% of the nation's freight; trucks move about 90%; the rest goes by air or water'. How much is 'the rest'? You already have accounted for 50% more than there is altogether."

I suspect he has something there. So, just to keep the record straight, let me correct that erring caption, inflated tenfold by an exuberant compositor. For the trucks move 9%, rather than 90%.

That looks better. Now there really is something left for air and water transport to work on.

### Frost in Dixie

I WONDER how many northerners appreciate what zero weather does to the South. Down there it's more than a matter of discomfort. People really suffer, especially the colored workers; and those of frail health soon wear out their normal resistance to disease. Houses are not built to withstand such cold and overheated furnaces keep the fire-engines on the go all the time. Highway and street hazards are bad, many drivers having had no experience with ice. Destruction of winter crops and unsheltered livestock bites heavily into the incomes of people who at best have but a slender margin. Altogether, what may be to the northerner just a little more of the same is stark calamity to Dixie.

### Orders Are Orders!

I'VE HEARD that there used to be a maxim in the old merchant marine—it may still be there for all I know—which counselled skippers: "Obey orders even if you bust owners".

Out in Kansas there's a WPA headquarters janitor who evidently was brought up in that school. It appears that not long ago some papers in a waste-basket took fire. The janitor, who discovered the blaze, could easily have pushed the burning basket into the snow-filled alley just a few feet away.

But nothing doing! He had his orders about what to do in case of fire. And orders are orders. So he first tried several fire extinguishers—which were empty; then called the fire department—which arrived too late.

So the building was gutted, a lot of construction projects will be held up until records can be replaced, and the shelter-belt job will have to mark time.

To which failing any of us might be subject any time, anywhere. For the essence of all management is to find and maintain that nice balance between obedience and discretion, which is the very soul of military discipline as well as industrial management. Wise executives know that the line *should* be drawn differently for each case and each individual. But it takes genius to draw that line case by case and person by person. And there are not many geniuses.

So I suppose we shall continue to stumble along, eternally looking for the ideal compromise between discretion for the average individual and authority for the super-mind. And just now the world seems to be doing some pretty terrible stumbling in that very quest. **W.T.C.**

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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

February 3, 1940

## Labor Laws and Administrators

**B**USINESS MEN will find it important to watch the shifts in sentiment which accompany the Wagner Act debates in Washington. Not long ago, one heard on every hand an insistent demand that the federal labor law be changed. Senators Vandenberg and Burke, sundry members of the House of Representatives, the National Association of Manufacturers, the Chamber of Commerce of the United States, even the labor organizations, suggested amendments.

Today, many of these recommendations still await the attention of Congress; others (who does not remember the clamor for compulsory incorporation of unions?) seem to have lost their backing. The Wagner Act is still regarded by many citizens as one-sided, biased in favor of labor and against the employer, unreasonably harsh in its fundamental philosophy, and unwieldy in practice. Yet, today, talk of changing the law is subordinated to the swelling chorus of insistence on what a different National Labor Relations Board could do to iron out the difficulties encountered under it.

**T**HERE ARE SOLID REASONS for this development. One is found in the evidence coming out of the current NLRB investigations by a special House committee, which has turned a spotlight upon certain of the Labor Board people. Among the 905 employees of the Board, there are many who, under this scrutiny, do not look at all like seasoned administrators. Testimony as to their immaturity, inexperience, prejudice, and "missionary spirit" has been spread thickly upon the record. The public—and Congress with it—has begun to wonder if the Wagner Act, even if amended, would be in safe hands without a drastic shakeup in the ranks of its administrators.

On the other hand, NLRB directors and assistants can be found who have gained the respect of a majority of those with whom they come into contact. It is no uncommon thing to hear Frank Bowen, director in Detroit, praised by local business men for fair-mindedness and level-headed administration in a most difficult job. In the New York area, Director Elinore Herrick, herself a caustic critic of some of the Washington staff, counts her business friends by the score. There are others of this type and it is noteworthy that such administrators retain the solid respect and confidence of labor.

In final analysis the value of laws depends very much on the worth of the men who administer them.

A traffic cop can be sour and "tough," and stay within the law—or he can use tact and patience while enforcing that law to the letter. If Congress should not get around to consideration of amendments during this election year, there are benefits to be derived from better administration of the Wagner Act as it stands. Adoption of a more judicial, neutral attitude by the present NLRB members and their assistants would in itself work for progress.

This does not mean that the Wagner Act can be accepted as permanently unchangeable. As **BUSINESS WEEK** has pointed out from time to time, the federal labor relations law definitely needs revision. In emphasizing the possibilities of better administration, it is well not to lose sight of the fundamental necessity of building administration on well-drawn, carefully-thought-out legislation, and to this Congress must eventually address itself.

**M**EDIATION AND CONCILIATION, for example, are outside the Wagner Act. Many people do not realize this, yet the President himself stressed the lack of mediating power when he signed the bill which brought the NLRB into being. And while the Labor Board has been investigating complaints and issuing orders, the Conciliation Service of the Department of Labor has blocked many strikes, brought many employers and labor spokesmen into agreement (*BW—Jan 27 '40, p24*).

Perhaps in this direction lies a partial solution to the great and growing problem of labor legislation. If one law cannot be drawn to accomplish all that is needed, expansion of conciliation and mediation might be had through supplementary legislation. If one law is needed to protect labor, another law to protect employers and the public might be built to balance a one-sided structure. Such suggestions open avenues of thoughtful consideration largely closed to date in the bitterly partisan fight over the Wagner Act.

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